

**PRISON FELLOWSHIP INTERNATIONAL AND
AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Prison Fellowship International and Affiliates

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Independent Auditor's Report

To the Board of Directors of
Prison Fellowship International and Affiliates
Lansdowne, Virginia

We have audited the accompanying consolidated financial statements of **Prison Fellowship International and Affiliates** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2015, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

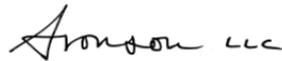
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Prison Fellowship International and Affiliates** as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
April 13, 2016

Prison Fellowship International and Affiliates

Consolidated Statement of Financial Position

<i>December 31,</i>	<i>2015</i>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,004,301
Investments	904,374
Contributions receivable, net	1,460,828
Accounts receivable	52,614
Inventory	261,245
Prepaid expenses	212,310
Total current assets	3,895,672
Other assets	
Investments held for long term use	90,000
Contributions receivable, net of current and discount	2,299,523
Equipment and furniture, net	222,062
Total other assets	2,611,585
Total assets	\$ 6,507,257
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 466,209
Net assets	
Unrestricted	1,972,936
Temporarily restricted	3,978,112
Permanently restricted	90,000
Total net assets	6,041,048
Total liabilities and net assets	\$ 6,507,257

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Charter membership fees	\$ 267,442	\$ -	\$ -	\$ 267,442
Ministry agreement revenue	3,200,000	-	-	3,200,000
Contributions	217,080	5,154,272	-	5,371,352
Contributed rent and other	93,563	53,880	-	147,443
Investment income, net	4,677	800	-	5,477
Loss on foreign currency transactions and remeasurements	(185,222)	-	-	(185,222)
Other income	10,406	-	-	10,406
Net assets released from restrictions	1,724,413	(1,724,413)	-	-
Total revenues	5,332,359	3,484,539	-	8,816,898
Expenses				
Program services:				
Capacity building	1,722,084	-	-	1,722,084
Children of Prisoners Program	1,032,585	-	-	1,032,585
The Prisoner's Journey	1,182,296	-	-	1,182,296
Education and communication	934,661	-	-	934,661
Center for Justice and Reconciliation	135,545	-	-	135,545
Other strategic initiatives	43,088	-	-	43,088
Total program services	5,050,259	-	-	5,050,259
Supporting services:				
Ministry advancement / fundraising	1,391,252	-	-	1,391,252
Leadership, facilities and administration	418,937	-	-	418,937
Total supporting services	1,810,189	-	-	1,810,189
Total expenses	6,860,448	-	-	6,860,448
Change in net assets	(1,528,089)	3,484,539	-	1,956,450
Net assets, at beginning of year	3,501,025	493,573	90,000	4,084,598
Net assets, at end of year	\$ 1,972,936	\$ 3,978,112	\$ 90,000	\$ 6,041,048

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2015</i>	Program services						Supporting services		Total	
	Capacity building	Children of Prisoners Program	The Prisoner's Journey	Education and communication	Center for Justice and Reconciliation	Other strategic initiatives	Total program services	Ministry advancement / fundraising		Leadership, facilities and administration
Salaries and benefits	\$ 698,352	\$ 19,709	\$ 211,583	\$ 278,304	\$ 111,642	\$ 38,656	\$ 1,358,246	\$ 516,482	\$ 305,390	\$ 2,180,118
Professional fees	184,629	260	152,723	402,373	5,166	-	745,151	493,045	63,397	1,301,593
Travel	257,293	27,900	134,637	27,479	4,532	1,313	453,154	114,509	105,831	673,494
Ministry development/field support	14,949	830,184	332,908	969	9	-	1,179,019	27,362	376	1,206,757
Reginal director contracts	315,217	59,320	-	-	-	-	374,537	-	-	374,537
Rent	8,937	3,850	96	6,360	-	16	19,259	40	128,464	147,763
Conferences and meetings	75,007	12,103	30,939	6,460	853	24	125,386	8,843	40,678	174,907
Printing and postage	1,909	722	196,335	97,295	186	-	296,447	21,729	12,241	330,417
Subscriptions and licenses	15	-	15,218	1,909	156	-	17,298	16,721	3,834	37,853
Telephone and internet	8,191	-	131	15,151	719	-	24,192	37,405	12,767	74,364
Depreciation and amortization	11,842	-	-	-	935	-	12,777	24,425	60,496	97,698
Audit and legal	19,012	-	4,754	-	-	-	23,766	-	56,146	79,912
Repairs, maintenance, and supplies	2,911	4,719	18,486	7,537	67	-	33,720	4,812	27,180	65,712
Bank fees, interest, and bad debt	787	-	7	1,287	-	-	2,081	9,367	36,114	47,562
Miscellaneous expenses	-	36	-	22,752	1,595	-	24,383	17,102	8,481	49,966
Insurance	-	-	-	-	-	-	-	-	17,795	17,795
Sub-total	1,599,051	958,803	1,097,817	867,876	125,860	40,009	4,689,416	1,291,842	879,190	6,860,448
Leadership, facilities and administrative	123,033	73,782	84,479	66,785	9,685	3,079	360,843	99,410	(460,253)	-
Total	\$ 1,722,084	\$ 1,032,585	\$ 1,182,296	\$ 934,661	\$ 135,545	\$ 43,088	\$ 5,050,259	\$ 1,391,252	\$ 418,937	\$ 6,860,448

Prison Fellowship International and Affiliates

Consolidated Statement of Cash Flows

<i>Year Ended December 31,</i>	2015
Cash flows from operating activities	
Change in net assets	\$ 1,956,450
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	97,698
Net realized and unrealized loss on investments	30,319
Loss on disposal of equipment and furniture	6,555
Provision for doubtful contributions receivable	(25,000)
(Increase) decrease in:	
Contributions receivable	(3,281,666)
Accounts receivable	(33,720)
Inventory	(183,786)
Prepaid expenses	(1,740)
Increase (decrease) in:	
Accounts payable and accrued expenses	50,214
Net cash used in operating activities	(1,384,676)
Cash flows from investing activities	
Proceeds from maturities of certificates of deposit	1,234,128
Proceeds from sale of investments	763,020
Purchase of investments	(493,450)
Purchase of equipment and furniture	(59,004)
Net cash provided by investing activities	1,444,694
Net change in cash and cash equivalents	60,018
Cash and cash equivalents, beginning of year	944,283
Cash and cash equivalents, end of year	\$ 1,004,301

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Prison Fellowship International (PFI) is a not-for-profit organization founded on August 8, 1979, in the District of Columbia. It has national affiliates in over 120 countries, each of which is an independent organization. Its purpose is to provide services to prisoners, ex-prisoners and their families around the world through its member affiliates. It works to foster mutual support and assistance and promotes the interchange of successful ministry methods among national ministries.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of PFI, Prison Fellowship International at Singapore LTD (PFI Singapore), Prison Fellowship International gGmbH (PFI Germany), and Prison Fellowship International Canada (PFI Canada). PFI controls and has an economic interest in PFI Singapore, PFI Germany and PFI Canada. All significant intercompany transactions and accounts have been eliminated in consolidation. For the purposes of this report, the four entities are referred to collectively as “the Organization.”

Basis of accounting: The accounts of the Organization are maintained on the accrual basis of accounting whereby support is recognized when earned, and costs and expenses are recognized when incurred.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization may use all or part of the income earned on these assets for specific purposes.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2015, \$122, 046 of the total cash and cash equivalents balance was held in foreign bank accounts. The Organization maintains cash balances which may exceed U.S. federally insured limits. Management does not believe that this results in any significant credit risk.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Foreign currency: The Organization maintains international offices located in Singapore (PFI Singapore), Germany (PFI Germany) and Canada (PFI Canada). The international offices maintain bank accounts, conduct business and record transactions in their local currencies. Gains or losses from exchange transactions resulting in foreign currency are recognized in operations.

Investments: Investments consist of mutual funds and exchange traded funds, which are recorded at fair value using quoted market prices. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Consolidated Statement of Activities and Changes in Net Assets. Dividends and interest are recognized as they are earned. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

Fair value: The Organization values investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used during the year ended December 31, 2015.

Contributions receivable: The Organization records contributions receivable when an unconditional promise to give is made. Contributions receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying Consolidated Statement of Activities and Changes in Net Assets. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible contributions. As of December 31, 2015, there was no allowance for doubtful accounts on contributions receivable.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Contributions receivable promised in a foreign currency are remeasured using the current exchange rate at the reporting date. Fluctuations in contributions receivable denominated in foreign currencies are recorded as gains and losses and included in foreign currency transactions and remeasurements on the Consolidated Statement of Activities and Changes in Net Assets. Changes in exchange rates after the Statement of Financial Position date could have an effect on the balance of contributions receivables. Management has deemed that it is impracticable to determine and disclose the effects.

Accounts receivable: The Organization uses the allowance method to estimate the amounts, if any, of its accounts receivable that are considered uncollectible. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible accounts. Accounts receivable are deemed to be past due based on a contractual term of 30 days. At December 31, 2015, the Organization determined that no allowance was necessary as all amounts are expected to be received.

Inventory: Inventory is recorded at the lower of cost, using the weighted average method, or market. At December 31, 2015, inventory consisted of Bibles and other program materials.

Equipment and furniture: The Organization capitalizes all expenditures for equipment and furniture in excess of \$500. Equipment and furniture includes capitalized computer hardware and software and are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful life or the remaining lease term. Expenses that do not materially extend the useful life of an asset are expensed in the current period. Any gain or loss that may result from the sale or disposition of an asset is recorded as a revenue or expense in the year that the transaction occurs.

Internal-use software costs: The Organization capitalizes costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred.

Charter membership fees: Each affiliate member organization is to pay an annual contribution to PFI, which approximates 6% of the annual revenue of the affiliate organization. In certain cases, PFI will accept a discretionary "in-kind" contribution from an affiliate who does not have the ability to pay. Charter membership fees, which are self-determined and reported by the affiliates, are recognized when received or unconditionally promised.

Ministry agreement revenue: The Organization receives conditional contributions which are recorded as support and revenues when received and the conditions are met. See Note 8 which further discusses the agreement to which these contributions relate.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Contributions: The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor temporarily restricted contributions are recorded as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction. Donor permanently restricted contributions are reported and remain as permanently restricted net assets. The Organization treats gifts of long-lived assets and gifts of cash for long-lived assets without donor use restrictions as having implied time restrictions that expire over the useful life of the donated assets. Gifts of long-lived assets are recorded at fair value when received or promised.

Contributed rent and other: The Organization rents office space at a below market rate. The difference between the estimated rental market rate for comparable office space and the amount actually charged is recorded as contributed rent in the Consolidated Statement of Activities and Changes in Net Assets. The Organization receives contributed supplies, equipment and software from various organizations, which are temporarily restricted for a specific geographic region, program, or time. The supplies are recorded at fair value when received or promised and are reflected in the accompanying consolidated financial statements as temporarily restricted revenue. The equipment and software is recorded at fair value when received or promised and is reflected in the accompanying consolidated financial statements as temporarily restricted revenue and will be released as depreciation.

Program services: Ministry services encompasses those activities related to:

- Conducting Christian programs in prisons around the world through agreements with selected national affiliates.
- Providing medical, educational, spiritual and residential services to the children of prisoners in developing world countries through agreements with selected national affiliates.
- Providing criminal justice and restorative justice consultation and programs to national affiliates, public officials and others through its Centre for Justice and Reconciliation.
- Supporting national PFI ministries through board and staff development, training, program planning and implementation, strategic projects, material and technical assistance, ministry promotion, and resource development.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Income taxes: PFI is a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided under section 501(a) of the Internal Revenue Code and applicable regulations of the District of Columbia. PFI Singapore is a registered charity in the Republic of Singapore. PFI Germany is a registered charity in Germany. PFI Canada is a registered charity in Canada. The Organization has no unrelated business income.

Uncertainty in income taxes: The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2015, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2012 through the current year remain open for examination by federal and state taxing authorities.

Use of accounting estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through April 13, 2016, which is the date the consolidated financial statements were available to be issued.

2. Investments

Investments are comprised of the following at December 31, 2015:

Mutual funds		
Fixed income	\$	242,386
International equity		8,157
Exchange traded funds		
Fixed income		640,818
Domestic equity		76,648
International equity		26,365
Total investments	\$	994,374

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

The fair value of the Organization's investments is as follows:

December 31, 2015	Total	Fair Value Measurements		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices In Active Markets nor Observable Inputs (Level 3)
Mutual funds				
Fixed income	\$ 242,386	\$ 242,386	-	-
International equity	8,157	8,157	-	-
Exchange traded funds				
Fixed income	640,818	640,818	-	-
Domestic equity	76,648	76,648	-	-
International equity	26,365	26,365	-	-
Total investments	\$ 994,374	\$ 994,374	-	-

3. Investment income

Investment income (which includes interest earned on certificates of deposit) is comprised of the following for the year ended December 31, 2015:

Interest	\$ 5,259
Dividends	30,537
Net realized and unrealized loss	(30,319)
Total investment income	\$ 5,477

4. Contributions receivable

Contributions receivable are summarized as follows at December 31, 2015:

Unconditional promises expected to be collected in:	
Less than one year	\$ 1,460,828
One to five years	2,413,344
Less:	
Present value discount on long-term receivables	(113,821)
Total	\$ 3,760,351

Contributions receivables are discounted to their present value using rates between 1.74% and 4.27%.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

5. Equipment and furniture

Equipment and furniture consists of the following at December 31, 2015:

Equipment and furniture	\$	28,905
Computer hardware		34,758
Computer software		371,781
Leasehold improvements		4,050
<u>Total equipment and furniture</u>		<u>439,494</u>
Less: Accumulated depreciation and amortization		(217,432)
<u>Equipment and furniture, net</u>	\$	<u>222,062</u>

Depreciation and amortization expense for the year ended December 31, 2015 was \$97,698.

6. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

Children of Prisoners	\$	2,521,292
The Prisoner's Journey		16,661
Capacity building		797,601
Ministry support		68,774
Center for Justice and Reconciliation		315,384
Time restricted		258,400
<u>Total</u>	\$	<u>3,978,112</u>

Temporarily restricted net assets were released from restriction during the year ended December 31, 2015 as follows:

Children of Prisoners	\$	1,007,652
The Prisoner's Journey		290,999
Capacity building		191,324
Ministry support		54,756
Center for Justice and Reconciliation		135,588
Time restricted		44,094
<u>Total</u>	\$	<u>1,724,413</u>

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

7. Endowment funds

The Organization's endowment consists of three individual funds established for a variety of purposes. Its endowment includes donor restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

Management of the Organization has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the organization and donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

Endowment Net Assets Composition by Type of Fund as of December 31, 2015:

	2015
	Permanently Restricted
Donor-restricted endowment funds	\$ 90,000

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Change in endowment net assets for the year ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 90,000	\$ 90,000
Investment income	800	-	-
Appropriation of endowment assets for expenditure	(800)	-	-
Endowment net assets, end of year	\$ -	\$ 90,000	\$ 90,000

Description of amounts classified as permanently restricted net assets as of December 31, 2015:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 90,000
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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2015.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period. Under this policy, as approved by Management, the endowment assets are invested in mutual funds and exchange traded funds. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to remain consistent. This is consistent with the Organization's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

8. Related party transactions

Prison Fellowship USA ("PF USA") is the United States of America chartered affiliate of PFI. PF USA collects certain donations and pays certain expenses on behalf of PFI with excess amounts recorded as due from or payable to PFI each month. At December 31, 2015, PFI had amounts due to PF USA totaling \$32,923, which are included in accounts payable and accrued expenses on the accompanying Consolidated Statement of Financial Position.

In 2013, PFI and PF USA entered into a Ministry Agreement to foster the global expansion of the prison ministry in the United States and around the world, through collaborative efforts between the two organizations. Per the agreement, PFI is to receive conditional monthly payments which extend over an initial seven year period. The agreement is set to automatically renew for additional seven year terms, provided early termination has not been exercised. As of December 31, 2015, the remaining conditional promise to give for the initial seven year term ending on May 31, 2020 totaled \$5,250,000, which is not reflected in the accompanying Consolidated Statement of Financial Position. Revenue from the agreement is recognized on the Consolidated Statement of Activities and Changes in Net Assets as Ministry agreement revenue.

PFI maintains its offices in the Lansdowne, Virginia facility owned by PF USA and has agreed to pay as rent a share of the facility operating expenses proportionate to the space it occupies in the building. The amounts paid to PF USA for rent for the year ended December 31, 2015, was \$31,832. The difference between the amount paid and the estimated market rate rent for comparable office space was recorded as a \$85,687 contribution from PF USA and as rent expense in 2015.

9. Line of credit

The Organization has a line of credit in the amount of \$100,000 with a bank in Virginia. Advances bear interest at the Wall Street Journal Prime Rate. The agreement is renewed each year. At December 31, 2015, the Organization had no indebtedness under the line of credit.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

- 10. Retirement plan** The Organization sponsors a defined contribution retirement plan (the “Plan”) covering qualifying United States employees, as defined in the Plan agreement. Employees are eligible for participation in the Plan after one year of employment. The Plan consists of mandatory employee contributions of 2% of their annual salary, with the Organization currently contributing 4% of their annual salary. Employees vest 100% in all contributions as they are made. International employees receive retirement benefits in accordance with laws in their respective locations. Retirement expense for all employees for 2015 was \$50,101.
- 11. Concentrations** In 2015, the Organization received 70% of its total revenue from two entities. Contributions receivable from one entity represents 66% of the total balance as of December 31, 2015.