

AMAZIMA MINISTRIES INTERNATIONAL

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

AMAZIMA MINISTRIES INTERNATIONAL

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Report of Independent Auditor

The Board of Directors
Amazima Ministries International
Franklin, Tennessee

We have audited the accompanying financial statements of Amazima Ministries International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amazima Ministries International as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 2, Amazima Ministries International adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Cherry Beckett LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
July 26, 2019

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,437,261	\$ 7,089,652
Accounts receivable	-	6,355
Prepaid expenses and other	8,601	5,035
Inventory	30,230	59,621
Total Current Assets	<u>5,476,092</u>	<u>7,160,663</u>
Investments	10,197,725	8,714,976
Property and equipment, net	<u>6,873,870</u>	<u>5,223,905</u>
Total Assets	<u><u>\$ 22,547,687</u></u>	<u><u>\$ 21,099,544</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 8,796</u>	<u>\$ 19,430</u>
Total Liabilities	<u>8,796</u>	<u>19,430</u>
Net Assets:		
Net assets without donor restrictions	19,794,278	18,958,225
Net assets with donor restrictions	<u>2,744,613</u>	<u>2,121,889</u>
Total Net Assets	<u>22,538,891</u>	<u>21,080,114</u>
Total Liabilities and Net Assets	<u><u>\$ 22,547,687</u></u>	<u><u>\$ 21,099,544</u></u>

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 2,500,328	\$ 2,372,780	\$ 4,873,108
Product sales	150,092	-	150,092
Total Public Support	<u>2,650,420</u>	<u>2,372,780</u>	<u>5,023,200</u>
Revenues:			
Realized and unrealized loss on investment	(506,632)	-	(506,632)
Interest income	327,428	-	327,428
Miscellaneous income	1,601	-	1,601
Total Revenues	<u>(177,603)</u>	<u>-</u>	<u>(177,603)</u>
Net assets released from restrictions	<u>1,750,056</u>	<u>(1,750,056)</u>	<u>-</u>
Total Public Support and Revenues	<u>4,222,873</u>	<u>622,724</u>	<u>4,845,597</u>
Expenses:			
Program services	2,781,104	-	2,781,104
Management and general	346,767	-	346,767
Fundraising	258,949	-	258,949
Total Expenses	<u>3,386,820</u>	<u>-</u>	<u>3,386,820</u>
Change in net assets	836,053	622,724	1,458,777
Net assets, beginning of year	<u>18,958,225</u>	<u>2,121,889</u>	<u>21,080,114</u>
Net assets, end of year	<u>\$ 19,794,278</u>	<u>\$ 2,744,613</u>	<u>\$ 22,538,891</u>

The accompanying notes to the financial statements are an integral part of this statement.

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 3,032,195	\$ 3,108,833	\$ 6,141,028
Product sales	203,719	-	203,719
Total Public Support	<u>3,235,914</u>	<u>3,108,833</u>	<u>6,344,747</u>
Revenues:			
Realized and unrealized gain on investment	459,414	-	459,414
Interest income	212,429	-	212,429
Loss on disposal of property and equipment	300	-	300
Loss on exchange rate	<u>(14,774)</u>	<u>-</u>	<u>(14,774)</u>
Total Revenues	<u>657,369</u>	<u>-</u>	<u>657,369</u>
Net assets released from restrictions	<u>2,575,227</u>	<u>(2,575,227)</u>	<u>-</u>
Total Public Support and Revenues	<u>6,468,510</u>	<u>533,606</u>	<u>7,002,116</u>
Expenses:			
Program services	2,314,877	-	2,314,877
Management and general	315,991	-	315,991
Fundraising	<u>188,584</u>	<u>-</u>	<u>188,584</u>
Total Expenses	<u>2,819,452</u>	<u>-</u>	<u>2,819,452</u>
Change in net assets	3,649,058	533,606	4,182,664
Net assets, beginning of year	<u>15,309,167</u>	<u>1,588,283</u>	<u>16,897,450</u>
Net assets, end of year	<u>\$ 18,958,225</u>	<u>\$ 2,121,889</u>	<u>\$ 21,080,114</u>

The accompanying notes to the financial statements are an integral part of this statement.

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services						Supporting Services		Total
	Amazima School	Educational Scholarship	Other Program	Medical Care	Vocational Projects	Discipleship	Management and General	Fundraising	
Payroll and related expenses	\$ 782,685	\$ 214,586	\$ 11,975	\$ 35,761	\$ 39,788	\$ 16,252	\$ 149,795	\$ 126,853	\$ 1,377,695
School fees and materials	222,061	161,721	2,456	2,555	1,176	423	-	-	390,392
Professional fees	151,334	39,188	936	4,893	9,221	3,832	36,151	9,259	254,814
Depreciation	156,096	59,756	-	7,317	14,634	6,098	-	-	243,901
Other expenses	65,258	27,621	9,261	4,450	7,795	2,227	75,323	4,246	196,181
Travel expenses	101,296	35,892	1,654	7,050	5,116	2,080	2,253	23,831	179,172
Magazine jewelry and other apparel	-	-	159,072	-	-	-	-	21	159,093
Occupancy	63,929	5,638	3,583	898	113	5,739	47,164	14,325	141,389
Office expenses	52,169	13,392	10,359	2,377	2,317	956	10,784	37,968	130,322
Repairs and maintenance	72,315	6,985	1,512	1,261	99	-	3,928	-	86,100
Insurance	34,440	8,823	468	1,206	1,662	680	10,270	-	57,549
Marketing and advertising	9,022	2,606	3,529	319	638	266	9,414	26,931	52,725
Special event expenses	19,479	10,365	45	637	155	65	-	5,214	35,960
Medical care and supplies	10,787	-	-	25,033	-	-	-	-	35,820
Staff development	22,468	4,827	66	306	96	38	-	-	27,801
Donor development	3,287	874	-	107	214	89	31	9,239	13,841
Meeting expenses	821	295	105	33	67	28	1,654	1,062	4,065
Total Expenses	\$ 1,767,447	\$ 592,569	\$ 205,021	\$ 94,203	\$ 83,091	\$ 38,773	\$ 346,767	\$ 258,949	\$ 3,386,820

The accompanying notes to the financial statements are an integral part of this statement.

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services						Supporting Services		Total
	Amazima School	Educational Scholarship	Vocational Projects	Other Program	Medical Care	Discipleship	Management and General	Fundraising	
Payroll and related expenses	\$ 708,098	\$ 255,624	\$ 62,584	\$ -	\$ 34,003	\$ 26,077	\$ 151,397	\$ 93,750	\$ 1,331,533
School fees and materials	78,359	179,279	1,547	-	785	644	-	-	260,614
Depreciation	126,290	48,345	11,840	-	5,920	4,933	-	-	197,328
Other expenses	65,285	20,187	4,845	4,034	2,612	2,019	36,358	1,844	137,184
Occupancy	40,895	17,006	3,903	1,499	2,421	1,591	65,440	-	132,755
Professional fees	58,642	23,605	5,354	(28)	3,351	2,231	25,297	10,478	128,930
Office expenses	41,451	15,427	3,146	16,514	3,823	1,199	10,313	29,656	121,529
Magazine jewelry and other apparel	-	-	-	92,943	-	-	79	-	93,022
Travel	53,809	18,826	3,301	138	4,696	1,304	413	9,302	91,789
Food cost	32,438	12,639	5,106	-	6,228	1,261	-	-	57,672
Repairs and maintenance	26,552	9,894	2,240	-	1,090	908	7,177	-	47,861
Special events	9,172	12,321	412	-	335	172	-	25,428	47,840
Community charity	14,184	24,566	1,379	-	868	509	-	-	41,506
Marketing and advertising	4,774	1,754	438	3,565	215	179	9,791	17,810	38,526
Insurance	18,631	7,132	1,747	-	873	728	8,468	-	37,579
Transportation and fuel	15,654	6,984	1,566	-	1,483	605	-	-	26,292
Medical care and supplies	4,998	5,441	36	-	12,786	15	-	-	23,276
Meeting expenses	1,442	719	35	-	18	15	1,102	34	3,365
Donor development	81	-	-	23	-	-	156	282	542
Communications	197	76	19	-	9	8	-	-	309
Total Expenses	\$ 1,300,952	\$ 659,825	\$ 109,498	\$ 118,688	\$ 81,516	\$ 44,398	\$ 315,991	\$ 188,584	\$ 2,819,452

The accompanying notes to the financial statements are an integral part of this statement.

AMAZIMA MINISTRIES INTERNATIONAL
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,458,777	\$ 4,182,664
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	243,901	197,328
Donated stock	-	(78,613)
(Gain) loss on disposal of property and equipment	-	(300)
Net realized and unrealized loss (gain) on investments	506,632	(459,414)
Changes in operating assets and liabilities:		
Accounts receivable	6,355	-
Pledges receivable	-	17,600
Prepaid expenses and other	(3,566)	18
Inventory	29,391	27,055
Accounts payable and accrued expenses	(10,634)	14,955
Net cash provided by operating activities	<u>2,230,856</u>	<u>3,901,293</u>
Cash flows from investing activities:		
Proceeds from sale of investments	822,121	290,292
Purchase of investments	(2,811,502)	(3,345,856)
Purchase of property and equipment	(1,893,866)	(1,631,297)
Net cash used in investing activities	<u>(3,883,247)</u>	<u>(4,686,861)</u>
Decrease in cash and cash equivalents	(1,652,391)	(785,568)
Cash and cash equivalents, beginning of year	<u>7,089,652</u>	<u>7,875,220</u>
Cash and cash equivalents, end of year	<u>\$ 5,437,261</u>	<u>\$ 7,089,652</u>

The accompanying notes to the financial statements are an integral part of these statements.

AMAZIMA MINISTRIES INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of operations

Amazima Ministries International (the “Organization”) was incorporated in 2007 as a nonprofit entity for the purpose of feeding, educating, and encouraging orphaned and vulnerable children and the poor in the country of Uganda. The Organization is funded primarily through contributions from businesses and individuals.

Program Services:

The Amazima School – The Organization is currently in the construction of the second phase of The Amazima School (the “School”). The first phase of the construction was completed and placed into service during February 2017. The School will equip Ugandan students with the tools of learning to enable them to live fully for the glory of God.

Educational Sponsorship – The Organization sends orphaned and vulnerable children to a Christian school through an educational sponsorship program. These children receive three meals a day, school supplies, medical care, and spiritual discipleship. They learn about Jesus in school, and periodically all the sponsored children come to the Organization fellowship site for Bible study, worship, lunch, and playing.

Medical Care – The Organization helps provide care to those within the Jinja community that might not be able to afford medical care at the local hospital as well as malaria treatment and prevention.

Vocational Projects – The Organization partners with local Ugandans implementing self-sustaining vocational programs so the people can have the joy of providing for their own families.

Discipleship – The Organization fosters spiritual growth activities and Bible studies in six villages.

Other Programs – Other programs consist of expenses incurred in conjunction with the Organization’s sale of jewelry made in Uganda and other expenses not classified in the categories above.

Note 2—Summary of significant accounting policies

Basis of Presentation – In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidelines, the Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and its board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization’s net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2018 and 2017.

AMAZIMA MINISTRIES INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured. At December 31, 2018 and 2017, the Organization had balances in excess of federally insured limits totaling approximately \$3,900,000 and \$5,039,000, respectively. In management's opinion, risk related to such possible deposits is reduced based on the credit quality of its depository financial institutions. In addition, the Organization had cash balances in Uganda totaling approximately \$429,000 and \$56,000 at December 31, 2018 and 2017, respectively.

Investments – The Organization accounts for investments using FASB ASC guidance for investments by nonprofit organizations. Under this guidance, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. See Note 3 for additional information on fair value measurements.

Inventory – Inventory consists primarily of jewelry items and other apparel sold to the general public and is stated at the lower of cost or market, with the cost determined by the first in, first out (FIFO) method.

Property and Equipment – Property and equipment is reported at cost at the date of purchase, at fair market value at the date of gift, if the value is readily determinable, or other reasonable basis, as determined by the board of directors, if such value is unknown. Depreciation is calculated by the straight-line method to allocate the cost of the assets, as so determined, to operations over their estimated useful lives which range from three to thirty-nine years.

Income Taxes – The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization is not considered a private foundation.

The Organization follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Contributions – In accordance with FASB ASC guidelines, contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

AMAZIMA MINISTRIES INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

No allowance for doubtful accounts is considered necessary as management considers receivables to be fully collectible at December 31, 2018 and 2017.

Use of Estimates – The preparation of 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 public support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs are expensed as incurred. Advertising expense totaled \$52,725 and \$38,526 for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending December 31, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

AMAZIMA MINISTRIES INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statements of cash flows. This guidance is effective for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization evaluated subsequent events through July 26, 2019, when these financial statements were available to be issued. See Note 8.

Note 3—Fair value measurement of investments

The Organization has adopted the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value of financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the valuation techniques used during 2018 or 2017. A description of valuation methodologies used for assets measured at fair value is as follows:

Money Market Funds and Mutual Funds – Valued at the quoted market prices for individual assets of shares held by the fund at year-end.

Exchange-Traded Funds, Equity Securities, and Others – Valued at the closing price reported on the active market on which the securities are traded.

AMAZIMA MINISTRIES INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3—Fair value measurement of investments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 241,984	\$ -	\$ -	\$ 241,984
Certificates of Deposit	1,748,337	-	-	1,748,337
Mutual funds:				
Bond funds – fixed income	4,258,345	-	-	4,258,345
Common stock funds – large-cap	1,308,499	-	-	1,308,499
Debt funds – fixed income	279,022	-	-	279,022
Total mutual funds	<u>5,845,866</u>	<u>-</u>	<u>-</u>	<u>5,845,866</u>
Exchange-traded funds:				
Bond funds – fixed income	541,585	-	-	541,585
Foreign developed markets	381,006	-	-	381,006
Common stock funds – mid-cap	369,908	-	-	369,908
Real estate funds	324,678	-	-	324,678
Common stock funds – large-cap	285,685	-	-	285,685
Foreign emerging markets	245,116	-	-	245,116
Common stock funds – small-cap	213,560	-	-	213,560
Total exchange-traded funds	<u>2,361,538</u>	<u>-</u>	<u>-</u>	<u>2,361,538</u>
Total investments	<u>\$ 10,197,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,197,725</u>

AMAZIMA MINISTRIES INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3—Fair value measurement of investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 196,783	\$ -	\$ -	\$ 196,783
Mutual funds:				
Bond funds – fixed income	4,254,128	-	-	4,254,128
Common stock funds – large-cap	1,594,453	-	-	1,594,453
Debt funds – fixed income	278,592	-	-	278,592
Commodity funds	134,554	-	-	134,554
Total mutual funds	<u>6,261,727</u>	<u>-</u>	<u>-</u>	<u>6,261,727</u>
Exchange-traded funds:				
Bond funds – fixed income	547,554	-	-	547,554
Common stock funds – mid-cap	452,732	-	-	452,732
Foreign developed markets	439,314	-	-	439,314
Real estate funds	331,256	-	-	331,256
Common stock funds – small-cap	275,204	-	-	275,204
Foreign emerging markets	210,406	-	-	210,406
Total exchange-traded funds	<u>2,256,466</u>	<u>-</u>	<u>-</u>	<u>2,256,466</u>
Total investments	<u>\$ 8,714,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,714,976</u>

Note 4—Property and equipment

Property and equipment consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 502,281	\$ 502,281
Buildings	3,589,901	3,002,451
Program equipment	621,761	454,218
Computers	228,986	214,623
Vehicles	164,508	116,303
Construction in progress	2,420,404	1,344,099
	7,527,841	5,633,975
Less accumulated depreciation	<u>(653,971)</u>	<u>(410,070)</u>
Property and equipment, net	<u>\$ 6,873,870</u>	<u>\$ 5,223,905</u>

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Note 4—Property and equipment (continued)

Construction in progress at December 31, 2018 and 2017 represents construction costs of the School. The construction of the School began August 2015. The first phase of the School was completed and placed into service during February 2017. The Organization has entered into an agreement with a construction company to complete the second phase of the School's construction. Costs to date on the second phase are reflected in construction in progress above. Additionally, in 2017 the Organization purchased additional land totaling \$3,417 in connection with its construction of the School.

Note 5—Net assets with donor restrictions

The Organization has received contributions from donors with the stipulation that such contributions are to be used for specific purposes.

Donor restricted net assets are available as follows at December 31:

	<u>2018</u>	<u>2017</u>
Child scholarship	\$ 2,697,212	\$ 2,033,599
Medical care	47,401	40,926
Masese Outreach	-	30,250
Uganda facility improvements	-	17,114
	<u>\$ 2,744,613</u>	<u>\$ 2,121,889</u>

Note 6—Lease agreement

The Organization leases office space under a noncancellable lease agreement. The Organization entered into a lease agreement which began June 15, 2015 and will expire June 30, 2020. The lease requires monthly base rental payments of \$4,079 subject to annual increases of 3%. Rental expense totaled \$57,298 and \$53,134 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments required under this lease are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 54,292
2020	<u>27,547</u>
	<u>\$ 81,839</u>

Note 7—Employee benefit plan

Effective July 15, 2013, the Organization adopted a defined contribution plan covering all employees who are at least 21 years of age and have completed six months of service. Employees are allowed to make contributions on a pre-tax basis not to exceed federally determined limits. Employee contributions are further matched based on certain provisions of the plan, not to exceed a total Organization contribution of 4% of eligible compensation. Total contributions to the plan by the Organization amounted to \$17,650 and \$20,894 for the years ended December 31, 2018 and 2017, respectively.

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Note 8—Related party transactions

The Organization's investment accounts are held by a financial services company that employs an officer who serves on the Organization's board of directors. Total service fees incurred for the years ended December 31, 2018 and 2017 were \$33,493 and \$28,796, respectively.

In April 2019, the Organization awarded a grant totaling \$200,000 to Compassionate Hope Foundation to build a Home of Hope and kindergarten through third grade elementary school in Darongpon, Thailand for vulnerable children in the surrounding community. One member of the Organization's board of directors also serves as a board member for Compassionate Hope Foundation. Another member of the Organization's board of directors is a paid consultant for Compassionate Hope Foundation. These board members are excluded from voting on any matters pertaining to the Organization and Compassionate Hope Foundation.

Note 9—Credit risk and other concentration

The Organization utilizes various investment instruments. Investment securities, in general, as exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the statements of financial position.

During 2017, the Organization received approximately 18% of total public support and revenues from one donor. There were no such concentrations related to specific donors during 2018.

Note 10—Liquidity and availability of financial resources

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission. Cash is held in interest bearing bank accounts.

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 are as follows:

Financial assets:

Cash and cash equivalents	\$ 5,437,261
Inventory	30,230
Investments	<u>10,197,725</u>
Total financial assets, at year-end	15,665,216

Less amounts unavailable for general expenditures within one year, due to:

Net assets restricted for specific programs	<u>2,744,613</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 12,920,603</u></u>