

# **AMAZIMA MINISTRIES INTERNATIONAL**

## **FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2019 and 2018*

*And Report of Independent Auditor*

# AMAZIMA MINISTRIES INTERNATIONAL

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## Report of Independent Auditor

To 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, 2019 and 2018, 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 audits 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 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, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 12, toward the end of December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization’s operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, COVID-19 could result in uncertainties that could affect results of operations and other material, adverse effects to the Organization. Our opinion is not modified with respect to this matter.

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

Nashville, Tennessee  
November 12, 2020

**AMAZIMA MINISTRIES INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**

*DECEMBER 31, 2019 AND 2018*

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,229,949	\$ 5,437,261
Prepaid expenses and other	9,636	8,601
Inventory	8,727	30,230
Total Current Assets	<u>4,248,312</u>	<u>5,476,092</u>
Investments	11,447,205	10,197,725
Property and equipment, net	<u>8,669,216</u>	<u>6,873,870</u>
<b>Total Assets</b>	<u><u>\$ 24,364,733</u></u>	<u><u>\$ 22,547,687</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 11,797</u>	<u>\$ 8,796</u>
Total Liabilities	<u>11,797</u>	<u>8,796</u>
Net Assets:		
Net assets without donor restrictions	21,018,631	19,794,278
Net assets with donor restrictions	<u>3,334,305</u>	<u>2,744,613</u>
Total Net Assets	<u>24,352,936</u>	<u>22,538,891</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 24,364,733</u></u>	<u><u>\$ 22,547,687</u></u>

**AMAZIMA MINISTRIES INTERNATIONAL**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 649,057	\$ 5,160,321	\$ 5,809,378
Product sales	99,320	-	99,320
Total Public Support	<u>748,377</u>	<u>5,160,321</u>	<u>5,908,698</u>
Revenues:			
Realized and unrealized gain on investments	999,033	-	999,033
Interest income	389,369	-	389,369
Tuition income	72,095	-	72,095
Miscellaneous income	8,841	-	8,841
Total Revenues	<u>1,469,338</u>	<u>-</u>	<u>1,469,338</u>
Net assets released from restrictions	<u>4,570,629</u>	<u>(4,570,629)</u>	<u>-</u>
Total Public Support and Revenues	<u>6,788,344</u>	<u>589,692</u>	<u>7,378,036</u>
Expenses:			
Program services	4,375,996	-	4,375,996
Management and general	491,987	-	491,987
Fundraising	696,008	-	696,008
Total Expenses	<u>5,563,991</u>	<u>-</u>	<u>5,563,991</u>
Change in net assets	1,224,353	589,692	1,814,045
Net assets, beginning of year	<u>19,794,278</u>	<u>2,744,613</u>	<u>22,538,891</u>
Net assets, end of year	<u>\$ 21,018,631</u>	<u>\$ 3,334,305</u>	<u>\$ 24,352,936</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, 2018*

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
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 investments	(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 FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services		Total
	Educational Scholarship	Medical Care	Vocational Projects	Community	Total	Management and General	Fundraising	
Payroll and related expenses	\$ 1,261,060	\$ 188,052	\$ 174,545	\$ 22,857	\$ 1,646,514	\$ 237,722	\$ 120,631	\$ 2,004,867
School fees and materials	465,385	30,596	10,355	1,288	507,624	765	142	508,531
Professional fees	165,975	34,001	28,827	3,775	232,578	39,771	10,394	282,743
Depreciation	238,220	68,550	63,626	8,332	378,728	-	-	378,728
Contributions to others	176,749	50,861	47,208	6,182	281,000	-	-	281,000
Other expenses	150,379	56,171	42,517	5,050	254,117	40,684	3,216	298,017
Travel expenses	133,484	27,488	18,166	2,379	181,517	1,505	18,457	201,479
Magazine jewelry and other apparel	45,817	12,385	63,926	1,505	123,633	-	-	123,633
Occupancy	119,227	2,351	2,182	286	124,046	108,290	-	232,336
Office expenses	66,475	4,064	2,975	390	73,904	20,163	45,282	139,349
Repairs and maintenance	67,173	3,556	3,301	432	74,462	3,164	-	77,626
Insurance	55,179	8,229	7,638	1,000	72,046	6,107	-	78,153
Marketing and advertising	21,001	6,043	5,609	735	33,388	28,208	39,141	100,737
Special event expenses	192,510	49,556	45,904	6,011	293,981	73	458,191	752,245
Medical care and supplies	15,105	37,317	-	-	52,422	-	-	52,422
Staff development	39,413	3,522	2,496	327	45,758	4,660	433	50,851
Donor development	-	-	-	-	-	102	41	143
Meeting expenses	266	12	-	-	278	773	80	1,131
<b>Total Expenses</b>	<b>\$ 3,213,418</b>	<b>\$ 582,754</b>	<b>\$ 519,275</b>	<b>\$ 60,549</b>	<b>\$ 4,375,996</b>	<b>\$ 491,987</b>	<b>\$ 696,008</b>	<b>\$ 5,563,991</b>

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			
	Educational Scholarship	Other Program	Medical Care	Vocational Projects	Community	Total	Management and General	Fundraising	Total
Payroll and related expenses	\$ 997,271	\$ 11,975	\$ 35,761	\$ 39,788	\$ 16,252	\$ 1,101,047	\$ 149,795	\$ 126,853	\$ 1,377,695
School fees and materials	383,782	2,456	2,555	1,176	423	390,392	-	-	390,392
Professional fees	190,522	936	4,893	9,221	3,832	209,404	36,151	9,259	254,814
Depreciation	215,852	-	7,317	14,634	6,098	243,901	-	-	243,901
Other expenses	92,879	9,261	4,450	7,795	2,227	116,612	75,323	4,246	196,181
Travel expenses	137,188	1,654	7,050	5,116	2,080	153,088	2,253	23,831	179,172
Magazine jewelry and other apparel	-	159,072	-	-	-	159,072	-	21	159,093
Occupancy	69,567	3,583	898	113	5,739	79,900	47,164	14,325	141,389
Office expenses	65,561	10,359	2,377	2,317	956	81,570	10,784	37,968	130,322
Repairs and maintenance	79,300	1,512	1,261	99	-	82,172	3,928	-	86,100
Insurance	43,263	468	1,206	1,662	680	47,279	10,270	-	57,549
Marketing and advertising	11,628	3,529	319	638	266	16,380	9,414	26,931	52,725
Special event expenses	29,844	45	637	155	65	30,746	-	5,214	35,960
Medical care and supplies	10,787	-	25,033	-	-	35,820	-	-	35,820
Staff development	27,295	66	306	96	38	27,801	-	-	27,801
Donor development	4,161	-	107	214	89	4,571	31	9,239	13,841
Meeting expenses	1,116	105	33	67	28	1,349	1,654	1,062	4,065
<b>Total Expenses</b>	<b>\$ 2,360,016</b>	<b>\$ 205,021</b>	<b>\$ 94,203</b>	<b>\$ 83,091</b>	<b>\$ 38,773</b>	<b>\$ 2,781,104</b>	<b>\$ 346,767</b>	<b>\$ 258,949</b>	<b>\$ 3,386,820</b>

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,814,045	\$ 1,458,777
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	378,728	243,901
Donated stock	(54,648)	-
Loss on disposal of property and equipment	2,378	-
Net realized and unrealized (gain) loss on investments	(999,033)	506,632
Changes in operating assets and liabilities:		
Accounts receivable	-	6,355
Prepaid expenses and other	(1,035)	(3,566)
Inventory	21,503	29,391
Accounts payable and accrued expenses	3,001	(10,634)
Net cash provided by operating activities	<u>1,164,939</u>	<u>2,230,856</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	1,688,401	822,121
Purchase of investments	(1,884,200)	(2,811,502)
Purchase of property and equipment	(2,176,452)	(1,893,866)
Net cash used in investing activities	<u>(2,372,251)</u>	<u>(3,883,247)</u>
Decrease in cash and cash equivalents	(1,207,312)	(1,652,391)
Cash and cash equivalents, beginning of year	5,437,261	7,089,652
Cash and cash equivalents, end of year	<u>\$ 4,229,949</u>	<u>\$ 5,437,261</u>
<b>Supplemental disclosure of noncash transactions:</b>		
Stock donation	<u>\$ 54,648</u>	<u>\$ -</u>

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### 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:

*Educational Scholarship* – 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.

Additionally, 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.

*Community* – 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, 2019 and 2018.

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### 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, 2019 and 2018, the Organization had balances in excess of federally insured limits totaling approximately \$2,000,000 and \$3,900,000, 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 \$522,000 and \$429,000 at December 31, 2019 and 2018, 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 3 to 39 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 50% 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.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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.

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### Note 2—Summary of significant accounting policies (continued)

*Advertising* – Advertising costs are expensed as incurred. Advertising expense totaled \$100,737 and \$52,725 for the years ended December 31, 2019 and 2018, 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 Pronouncements* – In June 2018, 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 is effective for the fiscal year ending December 31, 2019. The Organization determined the accounting standard did not require a change to the Organization's practice for recording contributions received and made.

In August 2016, 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 evaluated the effect of the implementation of this new standard and determined the accounting standard did not require a change to the Organization's practice for recording cash receipts and cash payments.

*Accounting Policies for Future Pronouncements* – In May 2014, 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, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, 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 statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Organization is currently evaluating the effect of the implementation of this new standard.

*Subsequent Events* – The Organization evaluated subsequent events through November 12, 2020, when these financial statements were available to be issued. See Note 12.

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### 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 2019 or 2018. 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.

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.

**AMAZIMA MINISTRIES INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

**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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 298,386	\$ -	\$ -	\$ 298,386
Certificates of Deposit	1,758,637	-	-	1,758,637
Mutual funds:				
Bond funds – fixed income	4,635,985	-	-	4,635,985
Common stock funds – large-cap	1,664,550	-	-	1,664,550
Debt funds – fixed income	302,000	-	-	302,000
Total mutual funds	<u>6,602,535</u>	<u>-</u>	<u>-</u>	<u>6,602,535</u>
Exchange-traded funds:				
Bond funds – fixed income	567,238	-	-	567,238
Foreign developed markets	438,616	-	-	438,616
Common stock funds – mid-cap	476,988	-	-	476,988
Real estate funds	404,008	-	-	404,008
Common stock funds – large-cap	359,564	-	-	359,564
Foreign emerging markets	273,227	-	-	273,227
Common stock funds – small-cap	268,006	-	-	268,006
Total exchange-traded funds	<u>2,787,647</u>	<u>-</u>	<u>-</u>	<u>2,787,647</u>
Total investments	<u>\$ 11,447,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,447,205</u>

**AMAZIMA MINISTRIES INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

**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, 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>

**Note 4—Property and equipment**

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

	<u>2019</u>	<u>2018</u>
Land	\$ 913,917	\$ 502,281
Buildings	3,523,690	3,589,901
Program equipment	840,069	621,761
Computers	307,769	228,986
Vehicles	212,357	164,508
Construction in progress	3,877,960	2,420,404
	9,675,762	7,527,841
Less accumulated depreciation	<u>(1,006,546)</u>	<u>(653,971)</u>
Property and equipment, net	<u>\$ 8,669,216</u>	<u>\$ 6,873,870</u>



**AMAZIMA MINISTRIES INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

**Note 4—Property and equipment (continued)**

Construction in progress at December 31, 2019 and 2018 represents construction costs of the School. The construction of the School began in 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.

**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:

	<b>2019</b>	<b>2018</b>
Child scholarship	\$ 3,334,305	\$ 2,697,212
Medical care	-	47,401
	<u>\$ 3,334,305</u>	<u>\$ 2,744,613</u>

**Note 6—Lease agreement**

The Organization leases office space under a noncancelable 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%. At the conclusion of this office space lease in 2020, the Organization moved locations and entered into a new lease arrangement that requires monthly base rental payments of \$13,202 subject to annual increases of \$1 per square foot.

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

**Years Ending December 31,**

2020	\$ 27,547
2021	172,773
2022	165,029
2023	172,230
2024	179,431
Thereafter	598,305
	<u>\$ 1,315,315</u>

Rental expense totaled \$90,147 and \$57,298 for the years ended December 31, 2019 and 2018, respectively.

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### **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 \$26,810 and \$17,650 for the years ended December 31, 2019 and 2018, respectively.

### **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, 2019 and 2018 were \$34,413 and \$33,493, 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.

During July 2019, the Amazima Asset Trust (the "Trust") was formed as a supporting organization for the Organization under Internal Revenue Service Code Section 509(a)(3). The Organization's Board of Directors maintains the ability to approve the directors of the Trust. As of December 31, 2019, the Organization had not transferred any assets into the Trust; however, the transfer of certain investments into the Trust has occurred in 2020. It is anticipated that the financial statements of the Organization and the Trust will be consolidated for the year ended December 31, 2020.

### **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.

### **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.

# AMAZIMA MINISTRIES INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### Note 10—Liquidity and availability of financial resources (continued)

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 4,229,949	\$ 5,437,261
Inventory	8,727	30,230
Investments	<u>11,447,205</u>	<u>10,197,725</u>
Total financial assets, at year-end	15,685,881	15,665,216
Less amounts unavailable for general expenditures within one year, due to:		
Net assets restricted for specific programs	<u>3,334,305</u>	<u>2,744,613</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 12,351,576</u></u>	<u><u>\$ 12,920,603</u></u>

### Note 11—Contracts

In conjunction with the growth of The Amazima School, the Organization has entered into certain construction agreements to expand its facilities. As the phases unfold, additional construction contracts are obtained. All such contracts are made in the ordinary course of business in Uganda.

During February 2019, the Organization entered into an agreement with a third party for major donor event consultation for events to be held in the fall of 2019, fall of 2020 and fall of 2021. Services to be provided under this contract include pre-event preparation, donor development consulting, and event management. The base fee for the services provided in 2019 was \$198,000 with expected annual fees for 2020 and 2021 set at \$188,000. The contract may be terminated by either party; however, the Organization will be required to pay a cancellation fee of 50% of the next major donor event. Due to COVID-19, as discussed in Note 12, the fall 2020 event was postponed and the arrangement for future services is presently being renegotiated.

### Note 12—Subsequent events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak could have a material, adverse impact on the economic and market conditions and trigger a period of global economic shutdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

The Organization received a Paycheck Protection Program loan ("PPP Loan") in the amount of \$283,300 in May 2020. The PPP Loan is granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization believes it will substantially meet the conditions required for forgiveness in 2020.