

FAITH IN PRACTICE

FINANCIAL STATEMENTS

AUGUST 31, 2021

(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

FAITH IN PRACTICE

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **Faith In Practice**

Report on the Financial Statements

We have audited the accompanying financial statements of Faith In Practice ("FIP"), a Texas nonprofit corporation, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 the 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 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 FIP as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Doeren Mayhew".

Houston, Texas
March 23, 2022

FAITH IN PRACTICE

STATEMENT OF FINANCIAL POSITION AUGUST 31, 2021

<u>Assets</u>	
Cash and cash equivalents (note 13)	\$ 1,167,005
Pledges receivable (note 3)	8,807
Inventory (note 2)	9,562,104
Investments in stocks and mutual funds (notes 3, 4 and 12)	2,926,302
Prepaid expenses	112,506
Property and equipment, net of accumulated depreciation (note 6)	236,041
Other assets	<u>8,999</u>
 Total assets	 <u><u>\$ 14,021,764</u></u>
 <u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 177,703
Deferred income (note 2)	<u>468,145</u>
 Total liabilities	 <u>645,848</u>
Net assets:	
Without donor restrictions (note 2)	12,997,144
With donor restrictions (note 8)	<u>378,772</u>
 Total net assets	 <u>13,375,916</u>
 Total liabilities and net assets	 <u><u>\$ 14,021,764</u></u>

See accompanying notes to financial statements.

FAITH IN PRACTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 1,943,771	\$ 131,616	\$ 2,075,387
Mission trip fees	195,984	71,434	267,418
In-kind contributions (Note 10)	7,791,180	-	7,791,180
Interest and dividends	67,863	-	67,863
Net investment return	303,665	-	303,665
Forgiveness of debt (Note 7)	522,680	-	522,680
Net assets released from restrictions (Note 9)	231,992	(231,992)	-
	<u>11,057,135</u>	<u>(28,942)</u>	<u>11,028,193</u>
Total revenue, gains and other support			
Expenses (Note 15):			
Guatemala program	4,901,004	-	4,901,004
Management and general	521,172	-	521,172
Fundraising	512,039	-	512,039
	<u>5,934,215</u>	<u>-</u>	<u>5,934,215</u>
Total expenses			
Changes in net assets	5,122,920	(28,942)	5,093,978
Net assets, beginning of year	<u>7,874,224</u>	<u>407,714</u>	<u>8,281,938</u>
Net assets, end of year	<u>\$ 12,997,144</u>	<u>\$ 378,772</u>	<u>\$ 13,375,916</u>

See accompanying notes to financial statements.

FAITH IN PRACTICE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED AUGUST 31, 2021

	Guatemala Program	Management and General	Fundraising	Total
Auto expenses	\$ 11,855	\$ -	\$ -	\$ 11,855
Bank/credit card charges	12,125	23,865	3,471	39,461
Board of directors expense	-	-	-	-
Postage and shipping	33,233	1,076	4,265	38,574
Meals and entertainment	709	66	-	775
Office expense	70,408	31,250	9,259	110,917
Printing	2,167	1,061	5,834	9,062
Computer systems maintenance	42,198	19,312	19,312	80,822
Telephone and communications	18,197	9,926	-	28,123
Special events	-	-	21,243	21,243
General fundraising expenses	-	-	736	736
Medical supplies and devices	2,426,263	-	-	2,426,263
Professional medical services	658,775	-	-	658,775
Donations to network organization	133,033	-	-	133,033
Leadership travel	2,697	-	8,577	11,274
Leadership training conference	337	-	-	337
Mission team member expenses	296,160	-	-	296,160
Patient travel/care/medical tests	79,395	-	-	79,395
Storage expenses	98,504	-	-	98,504
Insurance	-	13,063	-	13,063
Professional services	118,475	59,586	-	178,061
Scholarships	612	-	-	612
Depreciation	83,238	4,465	4,465	92,168
Payroll expenses	812,623	357,502	434,877	1,605,002
Total expenses	\$ 4,901,004	\$ 521,172	\$ 512,039	\$ 5,934,215

See accompanying notes to financial statements.

FAITH IN PRACTICE

STATEMENT OF CASH FLOWS YEAR ENDED AUGUST 31, 2021

Cash flows from operating activities:	
Changes in net assets	\$ 5,093,978
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	92,168
Forgiveness of debt	(522,680)
Donated property and equipment	(1,460)
Donated medical supplies and devices inventory	(4,731,867)
Net unrealized and realized gain on investments	(408,213)
Changes in operating assets and liabilities:	
Pledges receivables	27,860
Prepaid expenses	(27,363)
Inventory	21,577
Other assets	(397)
Accounts payable	113,876
Deferred income	363,993
	<hr/>
Net cash provided by operating activities	21,472
	<hr/>
Cash flows from investing activities:	
Purchases of property and equipment	(23,301)
Purchases of investments	(2,155,465)
Proceeds from sales of investments	2,154,699
	<hr/>
Net cash used by investing activities	(24,067)
	<hr/>
Cash flows from financing activities -	
Proceeds from Paycheck Protection Program loan	261,380
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Net cash provided by financing activities	261,380
	<hr/>
Net increase in cash & cash equivalents and restricted cash	258,785
Cash and cash equivalents and restricted cash, beginning of year	908,220
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Cash and cash equivalents and restricted cash, end of year	<u>\$ 1,167,005</u>

See accompanying notes to financial statements.

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 1 - Nature of Activities

Faith In Practice (“FIP”) is a Texas nonprofit corporation which works to improve the medical, spiritual and economic conditions of the poor in Guatemala. The primary purpose of FIP is to provide surgery, medical and dental care to the poor in Guatemala. The services are primarily provided by doctors, dentists and medical professionals and non-medical volunteers in the United States and Guatemala, who donate their time and pay their own expenses to volunteer in Guatemala with FIP. FIP is supported through in-kind contributions, mission fees from its team members and donations.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

FIP’s financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”), which requires FIP to report information regarding its financial position and activities according to the following net asset classifications:

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 FIP. These net assets may be used at the discretion of FIP’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of FIP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Generally, the donors of these assets permit FIP to use all of, or part of, the income earned on the related investments for specific purposes.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

FIP considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents and available for current use.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue and is reported within the asset class in which the pledge was originally reported.

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Inventory

Inventory is valued at net realizable value or fair market value. Inventory consists primarily of medicines and medical supplies to be used on patients. At August 31, 2021, the inventory included donated medical supplies/devices to be used on patients of \$9,473,207.

Property and Equipment

Property and equipment are stated at acquisition cost or, if donated, at estimated fair value at the date of donation. Depreciation and amortization are computed principally by the straight-line method over the following estimated useful lives:

Office furniture and equipment	3-5 years
Medical and lab equipment	3-5 years
Vehicles	2-5 years
Software development	3-5 years
Leasehold improvements	10 years

Revenue Recognition

Mission team trip fees represent amounts assessed against mission team members to facilitate mission trips. The performance obligation of facilitating mission trips is met when the applicable mission trip has commenced. Mission team member fees received in advance are deferred to the applicable period in which the trips occur. The following table provides information about significant changes in deferred mission team member fees for the year ended August 31, 2021:

Deferred trip fees, beginning of year	\$ 104,152
Revenue recognized that was included in deferred trip fees at beginning of year	(29,375)
Increase due to cash received during the period	<u>71,434</u>
Deferred trip fees, end of year	<u>\$ 146,211</u>

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions received are recorded as revenue when an unconditional commitment is received from the donor. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributed property and equipment are reflected at their estimated fair value at the date of receipt. Contributed property and equipment is recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers have made significant contributions of time to FIP's mission. The value of this contributed time meets the criteria for recognition of contributed services and, accordingly, is reflected in the accompanying financial statements.

Donated Supplies represents donations of medicines, medical supplies and devices are valued at the estimated fair market value at the date of receipt and recorded as a contribution and expense.

Special events revenue is recognized when the event is held.

Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. If funds are received in advance of the condition being met, they are recorded as deferred revenue until the conditions have been met.

Paycheck Protection Program Loan

FIP elected to account for the Paycheck Protection Program Loan utilizing the debt accounting model, under which the loan proceeds and related interest are recorded as a liability. Once the creditor has legally released FIP as the primary obligor, the liability will be derecognized, resulting in forgiveness of debt, which is reflected as income in the year that such release occurs.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

FIP is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require FIP's management to evaluate tax positions taken by FIP and recognize a tax liability (or asset) if FIP has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. FIP's management has analyzed the tax positions taken by FIP and has concluded that as of August 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the basic financial statements. FIP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses which are directly associated with a particular program are charged to that program. Certain expenses that cannot be directly identified with a specific program are allocated to the various programs based upon hours worked, physical location, salaries, or number of program staff. Accordingly, certain shared costs have been allocated among the programs and supporting services.

Fair Value of Financial Instruments

FIP's financial instruments consist of receivables, investments and liabilities. Management believes the carrying amount of these financial instruments approximates their fair values.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those assumptions.

Note 3 - Pledges Receivable

Pledges receivable are due as follows at August 31, 2021:

Receivables to be collected in less than one year	\$ 8,807
Receivables to be collected in one to five years	<u>-</u>
Pledges receivable	<u>\$ 8,807</u>

Uncollectible pledges receivable was minimal and therefore, no allowance for potentially uncollectible amounts was recorded for the year ended August 31, 2021.

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 4 - Investments

Investments consist of the following at August 31, 2021:

Mutual Funds:	
Equity funds	\$ 961,408
Bond funds	1,233,118
Global mutual funds	571,641
Real estate funds	<u>95,324</u>
Total mutual funds	<u>2,861,491</u>
Money market funds	<u>64,811</u>
Total investments	<u>\$ 2,926,302</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position and statement of activities and changes in net assets.

Note 5 - Fair Value of Financial Instruments

FIP's financial instruments are valued at fair value. In accordance with Accounting Standards Codification (ASC 820), Fair Value Measurements and Disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The standard establishes a fair value hierarchy that prioritizes the assumptions, referred to as inputs, 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of FIP's financial assets are measured at fair value on a recurring basis. The three levels of the fair value hierarchy defined by standards are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly or indirectly observable. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability, whereby assumptions that market participants would use is based on the best information available.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

Note 5 - Fair Value of Financial Instruments (Continued)

Financial instruments measured at fair value on a recurring basis at August 31, 2021 are as follows:

	<u>Cost</u>	<u>Quoted Prices Level 1</u>	<u>Significant Other Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Total</u>
Mutual funds:					
Equity mutual funds	\$ 713,312	\$ 961,408	\$ -	\$ -	\$ 961,408
Bond mutual funds	1,222,459	1,233,118	-	-	1,233,118
Global mutual funds	470,364	571,641	-	-	571,641
Real estate mutual funds	<u>79,687</u>	<u>95,324</u>	<u>-</u>	<u>-</u>	<u>95,324</u>
Total mutual funds	<u>2,485,822</u>	<u>2,861,491</u>	<u>-</u>	<u>-</u>	<u>2,861,491</u>
Money market funds	<u>64,811</u>	<u>64,811</u>	<u>-</u>	<u>-</u>	<u>64,811</u>
Total	<u>\$ 2,550,633</u>	<u>\$ 2,926,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,926,302</u>

Equity, Bond, Global and Real Estate mutual funds are valued at the net asset value of the fund as determined by the closing price in the active market in which the fund is traded. The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security.

Note 6 - Property and Equipment

Property and equipment at August 31, 2021 consisted of the following:

Leasehold Improvements	\$ 24,829
Office furniture and equipment	71,379
Medical and lab equipment	533,619
Vehicles	36,993
Computer equipment and software	<u>177,769</u>
Total property and equipment subject to depreciation and amortization	844,589
Less: accumulated depreciation and amortization	<u>(608,548)</u>
Total	<u>\$ 236,041</u>

During the year ended August 31, 2021, depreciation and amortization expense was \$92,168.

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 7 - Paycheck Protection Program Loans

On April 11, 2020, FIP obtained a \$261,300 Paycheck Protection Program Loan (PPP Loan) which was established under the CARES Act and is guaranteed by the U.S. Small Business Administration. The PPP Loan is due in seventeen equal principal payments beginning November 11, 2020, with final payment due April 11, 2022. The PPP Loan has a fixed interest rate of 1.00%, with accrued interest payable monthly beginning November 11, 2020. FIP was notified on January 19, 2021, that the PPP Loan was approved by the U.S. Small Business Administration for forgiveness.

On January 29, 2021, FIP obtained a second Paycheck Protection Program Loan (PPP Loan) in the amount of \$261,380, which was established under the CARES Act and is guaranteed by the U.S. Small Business Administration. The second PPP Loan is due in seventeen equal principal payments beginning July 29, 2021, with final payment due July 29, 2023. The second PPP Loan has a fixed interest rate of 1.00%, with accrued interest payable monthly beginning July 29, 2021. FIP was notified on August 3, 2021, that the second PPP Loan was approved by the U.S. Small Business Administration for forgiveness.

Accordingly, debt forgiveness of \$522,680 has been recognized as income in the statement of activities for the year ended August 31, 2021.

Note 8 - Net Assets With Donor Restrictions

At August 31, 2021, net assets with donor restrictions are available for the following purposes:

Mission funds	\$ 146,212
Medicines and specialized medical supplies	82,384
Hilario Galindo Hospital expansion campaign	81,554
Sponsorships - various	29,580
Logistics	17,900
Patient well being	16,142
Website redesign	<u>5,000</u>
Total	<u>\$ 378,772</u>

Note 9 - Net Assets Released From Restrictions

Net assets were released from restrictions during 2021 by incurring expenses satisfying the restricted purposes specified by the donor as follows:

Medicines and Specialized Medical Supplies	\$ 90,904
Patient Wellbeing	43,101
Solar Panels for HHG	38,406
Mission Trips fees	29,375
HHG Expansion	23,073
Free Wheelchair Mission Transportation	6,133
Warehouse expenses	<u>1,000</u>
Total net assets released from restrictions	<u>\$ 231,992</u>

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 10 - In-Kind Contributions

The office space and storage facility in Houston, Texas used by FIP are donated. The estimated fair rental value of \$92,587 has been recorded as contributions in-kind for the year ended August 31, 2021.

FIP receives donations of medical supplies and devices. These items are valued at the estimated fair value as determined by an independent third-party healthcare organization and as represented by corporate donors. For the year ended August 31, 2021, FIP received donations of these supplies amounting to \$7,045,622.

FIP also receives contributed services, which are donations of medical professionals' services. Contributed services of \$652,971 were recorded for the year ended August 31, 2021. FIP does not record the value of volunteer time spent by non-medical personnel.

Note 11 - Related Party Transactions

For the year ended August 31, 2021, eighteen directors of FIP donated a total of \$155,096 to its operations.

FIP contributed to Asociación La Fe En Práctica ("La Asociación") (see Note 14) approximately \$53,000 for the year ended August 31, 2021. The condensed financial position and change in net assets of La Asociación as of and for the year ended August 31, 2021 are summarized below:

Condensed statement of net assets information:

Assets	\$ 67,131
Liabilities	<u>(3,710)</u>
Net assets	<u>\$ 63,421</u>

Condensed statement of activities information:

Contributions and donations	\$ 103,739
Expenses	<u>(76,855)</u>
Change in net assets	<u>\$ 26,884</u>

Note 12 - Employee Benefit Plan

FIP has established a 401(k) Plan covering all employees that are at least 21 years old and have completed at least 4 months of service. FIP contributes up to a maximum of 3% of an employee's annual salary. For the year ended August 31, 2021, FIP made a total annual contribution of \$15,853.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

Note 13 - Concentrations of Credit Risk

FIP is subject to concentration of credit risk relating primarily to cash and marketable securities. FIP maintains short-term investments which are reported as a bank money market account not subject to Federal Deposit Insurance Corporation insurance coverage, which represents a concentration of credit risk. Marketable securities consist primarily of domestic bond and equity funds which could subject FIP to losses in the event of a general downturn in the economy. During the year ended August 31, 2021 FIP had deposits in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation of \$764,041. Management believes that the risk is mitigated by the financial strength of the institutions in which the deposits are held.

Note 14 - Commitments and Contingencies

La Asociación

La Asociación is a non-profit organization in Guatemala. The purpose of La Asociación is to support the FIP mission and to provide funds for and manage Casa de Fe. La Asociación is not combined or consolidated with the operations of FIP. FIP and La Asociación have entered into several agreements (see below).

Casa de Fe

FIP, La Asociación and Asociación Obras Sociales del Santo Hermano Pedro, Frailes Franciscanos O.F.M (“Las Obras”) operate under an agreement defining the responsibilities of each party as they relate to managing the Casa de Fe. The Casa de Fe is a guest house in Antigua, Guatemala built to house Las Obras surgery patients and their companions. The term of the agreement is for five (5) years, renewable for equal periods expiring on July 2025. Any of the parties may terminate the agreement in case of material breach of the other parties 30 days after notification. FIP and La Asociación agree to pay all costs incurred in Casa de Fe related operations, including employment, public services, repair of the building and necessary equipment.

Agency Agreement between Faith In Practice and La Asociación La Fe En Práctica

FIP and La Asociación operate under an agency agreement in which FIP appoints La Asociación as its agent to perform duties in Guatemala as FIP may instruct. As stated in the agreement, FIP sends cash advances to La Asociación for use in conducting the mission of FIP. Cash advances consist of one month’s future expense, at most, therefore mitigating risk.

FIP leases certain employees from La Asociación. Included in this agency agreement is an indemnification clause related to accruals required by Guatemalan law for these employees.

Management has calculated this accrual as of August 31, 2021 to be immaterial to FIP’s financial statements and believes there is a very remote possibility of the circumstances triggering this law to occur.

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 14 - Commitments and Contingencies (Continued)

Operating Lease Agreements

FIP has various operating lease agreements expiring through 2023. For 2021, rental expense amounted to \$103,920. Minimum future lease commitments under operating leases at August 31, 2021 are as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2022	\$ 103,481
2023	41,059
2024	3,977
2025	377
2026	<u>157</u>
Total	<u>\$ 149,051</u>

Note 15 - Functional Expenses

FIP's management and general and fundraising expense to revenue ratio for the year ended August 31, 2021 is as follows:

Management and general expenses	4.84%
Fundraising expenses	4.64%

Note 16 - Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets available within one year:	<u>Amount</u>
Cash	\$ 1,167,005
Pledges and other receivables	8,807
Investments	<u>2,926,302</u>
Total financial assets	\$ 4,102,114
Amounts unavailable for general expenditure within one year - donor restrictions	<u>(378,772)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,723,342</u>

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

Note 16 - Liquidity and Availability of Resources (Continued)

FIP regularly monitors liquidity required to meet its operational needs and other contractual commitments. FIP has cash, investments and pledge receivable as forms of liquidity.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FIP considers all expenditures related to its ongoing program activities and support services to be general expenditures. FIP strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 17 - Risks and Uncertainties

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide. FIP suspended all volunteer teams in March 2020 due to the pandemic just prior to Guatemala closing its borders. FIP resumed medical missions in May of 2021 and had 12 teams with 2020 volunteers participate from May to August 2021. Looking forward, 2022 contains a roster with 33 medical mission teams planned.

Note 18 - Date of Management's Review

Management of FIP, the 501(c)(3) organization, has evaluated subsequent events through March 23, 2022, the date which the financial statements were available to be issued. Management has determined that no subsequent events require disclosure in these financial statements.

*** * * End of Notes * * ***