

FAITH IN PRACTICE
FINANCIAL STATEMENTS
AUGUST 31, 2023
(With Independent Auditor's Report Thereon)

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 **DoerenMayhew**
CPAs AND ADVISORS

FAITH IN PRACTICE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **Faith In Practice**

Report on the Financial Statements

We have audited the financial statements of Faith In Practice ("FIP"), a Texas nonprofit corporation, which comprise the statement of financial position as of August 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FIP as of August 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FIP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FIP's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FIP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FIP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Houston, Texas
November 22, 2023

FAITH IN PRACTICE
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

Assets

Cash and cash equivalents (note 12)	\$ 778,153
Pledges receivable (note 3)	108,380
Inventory (note 2)	13,206,185
Investments (notes 4 and 5)	1,909,237
Prepaid expenses	143,180
Property and equipment, net of accumulated depreciation (note 6)	172,569
Other assets	<u>8,602</u>
 Total assets	 <u><u>\$ 16,326,306</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 171,093
Deferred income (note 2)	<u>426,726</u>
 Total liabilities	 <u>597,819</u>
 Net assets:	
Without donor restrictions (note 2)	15,212,942
With donor restrictions (note 7)	<u>515,545</u>
 Total net assets	 <u>15,728,487</u>
 Total liabilities and net assets	 <u><u>\$ 16,326,306</u></u>

See accompanying notes to financial statements.

FAITH IN PRACTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions of cash	\$ 1,844,047	\$ 391,163	\$ 2,235,210
Contributions of nonfinancial assets (Note 9)	15,710,134	-	15,710,134
Fundraising events	1,067,533	-	1,067,533
Mission trip fees	356,283	1,247,510	1,603,793
Interest and dividends	52,885	-	52,885
Net investment return	61,700	-	61,700
Net assets released from restrictions (Note 8)	1,458,029	(1,458,029)	-
Total revenue, gains and other support	20,550,611	180,644	20,731,255
Expenses (Note 14):			
Guatemala program	16,721,071	-	16,721,071
Management and general	802,554	-	802,554
Fundraising	903,212	-	903,212
Total expenses	18,426,837	-	18,426,837
Changes in net assets	2,123,774	180,644	2,304,418
Net assets, beginning of year	13,089,168	334,901	13,424,069
Net assets, end of year	\$ 15,212,942	\$ 515,545	\$ 15,728,487

See accompanying notes to financial statements.

FAITH IN PRACTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Guatemala Program	Management and General	Fundraising	Total
Auto expenses	\$ 15,935	\$ -	\$ -	\$ 15,935
Bank/credit card charges	64,998	42,168	5,547	112,713
Board of directors expense	-	4,108	28	4,136
Postage and shipping	90,088	2,016	-	92,104
Meals and entertainment	7,160	2,125	-	9,285
Office expense	86,978	33,935	9,432	130,345
Printing	4,236	3,826	8,804	16,866
Computer systems maintenance	65,295	24,272	24,272	113,839
Telephone and communications	16,078	5,784	-	21,862
Special events	-	-	125,649	125,649
General fundraising expenses	-	-	10,168	10,168
Medical supplies and devices	9,879,468	-	-	9,879,468
Professional medical services	3,615,373	-	-	3,615,373
Donations to network organization	140,218	-	-	140,218
Leadership travel	24,309	32,761	4,904	61,974
Leadership training conference	7,726	-	-	7,726
Mission team member expenses	1,183,682	-	-	1,183,682
Patient travel/care/medical tests	159,273	-	-	159,273
Storage expenses	101,511	-	-	101,511
Insurance	-	15,430	-	15,430
Professional services	46,535	123,628	-	170,163
Scholarships	5,081	-	-	5,081
Depreciation	14,096	4,699	4,699	23,494
Payroll expenses	1,193,031	507,802	709,709	2,410,542
Total expenses	\$ 16,721,071	\$ 802,554	\$ 903,212	\$ 18,426,837

See accompanying notes to financial statements.

FAITH IN PRACTICE
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2023

Cash flows from operating activities:	
Changes in net assets	\$ 2,304,418
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	23,494
Donated medical supplies and devices inventory	(2,452,649)
Net unrealized and realized loss on investments	(40,303)
Changes in operating assets and liabilities:	
Pledges receivables	61,986
Prepaid expenses	(47,453)
Inventory	8,566
Other assets	6,522
Accounts payable	64,287
Deferred income	(199,014)
	(270,146)
Net cash used in operating activities	(270,146)
Cash flows from investing activities:	
Purchases of property and equipment	(144,867)
Purchases of investments	(2,445,568)
Proceeds from sales of investments	2,671,288
	80,853
Net cash provided by investing activities	80,853
Net decrease in cash and cash equivalents	(189,293)
Cash and cash equivalents, beginning of year	967,446
Cash and cash equivalents, end of year	\$ 778,153

See accompanying notes to financial statements.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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.

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.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement 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.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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 statement 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 lower of net realizable value or fair value at date of donation based on the average cost method. Inventory consists primarily of medicines and medical supplies to be used on patients. At August 31, 2023, the inventory included donated medical supplies/devices to be used on patients of \$13,206,185.

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

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

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 donation. 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.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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, 2023:

Deferred trip fees, beginning of year	\$	162,960
Revenue recognized that was included in deferred trip fees at beginning of year		(162,960)
Increase due to cash received during the period		130,120
Deferred trip fees, end of year	\$	<u>130,120</u>

Fundraising events revenue is recognized when the event is held. The performance obligation of facilitating fundraising events is met when the applicable event has occurred. Fundraising event funds received in advance are deferred to the applicable period in which the event is held. The following table provides information about significant changes in deferred event funds for the year ended August 31, 2023:

Deferred event funds, beginning of year	\$	462,780
Revenue recognized that was included in deferred event funds at beginning of year		(462,780)
Increase due to cash received during the period		296,606
Deferred event funds, end of year	\$	<u>296,606</u>

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.

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.

FIP's management is not aware of any uncertain positions taken or expected to be taken that would have a significant impact on its financial position. FIP's tax returns for the prior four years remain subject to examination by taxing authorities.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Leases

FIP does not have significant long-term leases. Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the term of the lease. Rent expenses for the year ended August 31, 2023 totaled \$101,060.

Note 3 - Pledges Receivable

Pledges receivable are due as follows at August 31, 2023:

Receivables to be collected in less than one year	\$ 108,380
Receivables to be collected in one to five years	-
Pledges receivable	\$ 108,380

Uncollectible pledges receivable was minimal and therefore, no allowance for potentially uncollectible amounts was recorded for the year ended August 31, 2023.

Note 4 - Investments

Investments consist of the following at August 31, 2023:

Mutal funds:	
Commodity funds	\$ 1,152,886
Equity funds	482,296
Bond funds	140,723
Total mutual funds	1,775,905
Money market funds	133,332
Total investments	\$ 1,909,237

FAITH IN PRACTICE

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023

Note 4 - Investments (Continued)

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.

Financial instruments measured at fair value on a recurring basis at August 31, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Commodity funds	\$ 1,152,886	\$ -	\$ -	\$ 1,152,886
Equity funds	482,296	-	-	482,296
Bond funds	140,723	-	-	140,723
Total mutual funds	1,775,905	-	-	1,775,905
Money market funds	133,332	-	-	133,332
Total	<u>\$ 1,909,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,909,237</u>

Commodity, Equity and Bond 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.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 6 - Property and Equipment

Property and equipment at August 31, 2023 consisted of the following:

Leasehold improvements	\$ 24,830
Office furniture and equipment	71,379
Medical and lab equipment	184,398
Vehicles	36,993
Computer equipment and software	323,311
Total property and equipment subject to depreciation and amortization	640,911
Less: accumulated depreciation and amortization	(468,342)
Total	\$ 172,569

During the year ended August 31, 2023, depreciation and amortization expense was \$23,494.

Note 7 - Net Assets With Donor Restrictions

At August 31, 2023, net assets with donor restrictions are available for the following purposes:

IT infrastructure	\$ 206,000
Mission funds	130,120
Education program and medical equipment	46,143
Hilario Galindo Hospital expansion campaign	28,464
Sponsorships - various	28,780
Patient wellbeing	16,642
Medicines and specialized medical supplies	23,396
Logistics	11,000
Ultrasound machine	25,000
Total	\$ 515,545

Note 8 - Net Assets Released From Restrictions

Net assets were released from restrictions during 2023 by incurring expenses satisfying the restricted purposes specified by the donor as follows:

Mission trips fees	\$ 1,278,450
Patient wellbeing	155,549
Medicines and specialized medical supplies	11,585
Hilario Galindo Hospital expansion campaign	9,965
Mobility program expenses	2,480
Total net assets released from restrictions	\$ 1,458,029

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 9 - In-Kind Contributions

In-Kind Contributions for the fiscal year ended August 31, 2023 included in the financial statements were as follows:

Contributed Nonfinancial Asset	Revenue Recognized	Utilization In Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Office space and storage facility	\$ 94,318	Management and General	No associated donor restrictions	FIP estimated revenue based upon estimated rent expense as represented by the donor.
Medical supplies, implants, and instruments	12,037,676	Guatemala Program	No associated donor restrictions	These items are valued at the estimated fair value as determined by an independent third-party healthcare organization and as represented by corporate donors.
Medical services	<u>3,578,140</u>	Guatemala Program	No associated donor restrictions	FIP records the value of services contributed by medical professionals based upon the fair value as determined by independent third-party healthcare organizations. FIP does not record the value of volunteer time spent by non-medical personnel.
	<u>\$ 15,710,134</u>			

Note 10 - Related Party Transactions

For the year ended August 31, 2023, twenty-four directors of FIP donated a total of \$625,316 to its operations.

FIP contributed to Asociación La Fe En Práctica (“La Asociación”) (see Note 13) approximately \$132,800 for the year ended August 31, 2023. The condensed financial position and change in net assets of La Asociación as of and for the year ended August 31, 2023 are summarized below:

Condensed statement of net assets information:

Assets	\$ 20,400
Liabilities	<u>(7,500)</u>
Net assets	12,900

Condensed statement of activities information:

Contributions and donations	139,400
Expenses	<u>(157,300)</u>
Change in net assets	<u>\$ (17,900)</u>

Note 11 - 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, 2023, FIP made a total annual contribution of \$32,366.

FAITH IN PRACTICE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 12 - Other Risks, Uncertainties, and Concentrations

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, 2023 FIP had deposits in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation of \$477,471. Management believes that the risk is mitigated by the financial strength of the institutions in which the deposits are held.

FIP has a major supplier for donations of orthopedic implants and instruments. The loss of this supplier or a significant reduction in product availability from the supplier may have an adverse effect on FIP's ability to perform Orthopedic mission services in the future. FIP has a strong history with the supplier and a firm commitment going forward.

Note 13 - 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, 2023 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, 2023

Note 14 - Functional Expenses

FIP's management and general and fundraising expense to revenue ratio for the year ended August 31, 2023 is as follows:

Management and general expenses	3.87%
Fundraising expenses	4.36%

Note 15 - 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:

Cash	\$ 778,153
Pledge and other receivables	108,380
Investments	<u>1,909,237</u>
Total financial assets	2,795,770

Amounts unavailable for general expenditure within one year -
donor restrictions

(515,545)

Total financial assets available to meet cash needs
for general expenditures within one year

\$ 2,280,225

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 16 - Date of Management's Review

Management of FIP, the 501(c)(3) organization, has evaluated subsequent events through November 22, 2023, 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 *****