

# **INFAITH**

**(Established in 1817 as American Sunday School Union)**

## ***CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

# INFAITH

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**To the Board of Trustees  
InFaith  
Exton, Pennsylvania**

We have audited the accompanying consolidated financial statements of InFaith and its affiliate, InFaith Foundation (“InFaith”) which comprise the consolidated statement of financial position as of February 29, 2020 and February 28, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of InFaith as of February 29, 2020 and February 28, 2019, the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
July 20, 2020**

# INFAITH

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

February 29, 2020 And February 28, 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 372,703	\$ 280,613
Interest and dividends receivable	16,168	19,248
Investments	9,570,852	9,883,215
Notes receivable	138,441	191,415
Other receivables and prepaid expenses	36,912	53,752
Beneficial interest in perpetual trusts	1,081,781	1,084,132
Property and equipment, net	<u>1,074,377</u>	<u>1,170,492</u>
<b>Total Assets</b>	<b><u>\$ 12,291,234</u></b>	<b><u>\$ 12,682,867</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 18,039	\$ 25,407
Accrued expenses and other liabilities	48,535	41,656
Accrued postretirement medical benefit	1,487,453	1,312,603
Accrued pension expense	10,417,177	7,854,554
Annuities payable	168,190	183,395
Trust agreement deposits	<u>12,300</u>	<u>31,500</u>
<b>Total Liabilities</b>	<b><u>12,151,694</u></b>	<b><u>9,449,115</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
General operating funds	7,022,542	7,349,558
Accrued pension and postretirement medical benefit liabilities	<u>(11,904,630)</u>	<u>(9,167,157)</u>
<b>Total Without Donor Restrictions</b>	<b>(4,882,088)</b>	<b>(1,817,599)</b>
With donor restrictions	<u>5,021,628</u>	<u>5,051,351</u>
<b>Total Net Assets</b>	<b><u>139,540</u></b>	<b><u>3,233,752</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 12,291,234</u></b>	<b><u>\$ 12,682,867</u></b>

# INFAITH

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended February 29, 2020 And February 28, 2019

	February 29, 2020			February 28, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains (Losses), and Other Support</b>						
Contributions	\$ 6,774,442	\$ -	\$ 6,774,442	\$ 6,795,605	\$ -	\$ 6,795,605
Contributions for work funds	-	125,643	125,643	-	98,805	98,805
Outside trusts	48,549	-	48,549	69,946	-	69,946
Legacies and bequests	106,843	-	106,843	135,346	-	135,346
Other revenues	38,586	-	38,586	40,287	-	40,287
Actuarial loss on annuities	(9,114)	-	(9,114)	(15,176)	-	(15,176)
Other investment income	15,923	7,261	23,184	8,460	1,951	10,411
Investment return designated for current operations	336,868	230,331	567,199	346,489	220,924	567,413
Net assets released from restrictions	345,735	(345,735)	-	418,572	(418,572)	-
<b>Total revenues, gains (losses), and other support</b>	<b>7,657,832</b>	<b>17,500</b>	<b>7,675,332</b>	<b>7,799,529</b>	<b>(96,892)</b>	<b>7,702,637</b>
<b>Expenses</b>						
Program services – missions	6,411,467	-	6,411,467	6,778,976	-	6,778,976
Supporting Services						
General and administration	1,029,582	-	1,029,582	986,531	-	986,531
Development and public relations	449,771	-	449,771	466,473	-	466,473
<b>Total expenses</b>	<b>7,890,820</b>	<b>-</b>	<b>7,890,820</b>	<b>8,231,980</b>	<b>-</b>	<b>8,231,980</b>
<b>Change in net assets from operations</b>	<b>(232,988)</b>	<b>17,500</b>	<b>(215,488)</b>	<b>(432,451)</b>	<b>(96,892)</b>	<b>(529,343)</b>
<b>Other Changes</b>						
Investment return net of amounts designated for current operations	(62,673)	(44,872)	(107,545)	(286,588)	(137,734)	(424,322)
Investment income - charitable gift annuities	(31,355)	-	(31,355)	64,933	-	64,933
Change in funded status of pension plan	(2,562,623)	-	(2,562,623)	(354,884)	-	(354,884)
Change in post-retirement medical benefit liability	(174,850)	-	(174,850)	(17,716)	-	(17,716)
Change in beneficial interest in perpetual trusts	-	(2,351)	(2,351)	-	(63,797)	(63,797)
Net assets released from restrictions	-	-	-	1,415,675	(1,415,675)	-
<b>Total other changes</b>	<b>(2,831,501)</b>	<b>(47,223)</b>	<b>(2,878,724)</b>	<b>821,420</b>	<b>(1,617,206)</b>	<b>(795,786)</b>
<b>Change in net assets</b>	<b>(3,064,489)</b>	<b>(29,723)</b>	<b>(3,094,212)</b>	<b>388,969</b>	<b>(1,714,098)</b>	<b>(1,325,129)</b>
<b>Net Assets</b>						
Beginning of year	(1,817,599)	5,051,351	3,233,752	(2,206,568)	6,765,449	4,558,881
End of year	<u>\$(4,882,088)</u>	<u>\$ 5,021,628</u>	<u>\$ 139,540</u>	<u>\$(1,817,599)</u>	<u>\$ 5,051,351</u>	<u>\$ 3,233,752</u>

See notes to financial statements.

# INFAITH

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Years Ended February 29, 2020 And February 28, 2019

	2020				2019			
	<u>Missions</u>	<u>General And Administration</u>	<u>Development And Public Relations</u>	<u>Total</u>	<u>Missions</u>	<u>General And Administration</u>	<u>Development And Public Relations</u>	<u>Total</u>
Salaries	\$ 5,040,252	\$ 387,841	\$ 227,010	\$ 5,655,103	\$ 5,213,116	\$ 386,268	\$ 249,225	\$ 5,848,609
Medical and life insurance	101,637	13,294	12,995	127,926	118,355	17,093	12,824	148,272
Pension and post-retirement medical expense	190,886	11,884	3,857	206,627	190,477	10,334	3,022	203,833
Payroll taxes and fringe benefits	<u>129,505</u>	<u>22,128</u>	<u>10,271</u>	<u>161,904</u>	<u>130,391</u>	<u>21,151</u>	<u>12,618</u>	<u>164,160</u>
Total personnel expenses	5,462,280	435,147	254,133	6,151,560	5,652,339	434,846	277,689	6,364,874
Bibles, books, and periodicals	3,056	-	-	3,056	3,562	-	-	3,562
Camps, conferences and projects	205,608	-	-	205,608	299,591	-	-	299,591
Depreciation	19,224	48,057	28,834	96,115	23,067	57,670	34,602	115,339
Development costs	-	-	18,317	18,317	-	-	17,659	17,659
Freight and postage	-	940	23,459	24,399	422	1,520	20,216	22,158
Insurance	-	85,471	-	85,471	-	87,190	-	87,190
Interest – trust agreement	-	1,139	-	1,139	-	1,956	-	1,956
Maintenance	4,069	107,691	6,101	117,861	3,415	52,718	5,774	61,907
Mission letters	-	-	17,415	17,415	-	-	3,848	3,848
Office equipment – rental	-	4,259	-	4,259	-	7,946	-	7,946
Professional	10	211,471	8,646	220,127	-	209,472	8,645	218,117
Promotion	-	-	34,110	34,110	-	-	30,841	30,841
Stationery and supplies	-	18,950	35,951	54,901	-	22,611	42,312	64,923
Travel and reimbursable expenses	709,195	96,386	10,763	816,344	788,469	89,532	12,726	890,727
Utilities and services	<u>8,025</u>	<u>20,071</u>	<u>12,042</u>	<u>40,138</u>	<u>8,111</u>	<u>21,070</u>	<u>12,161</u>	<u>41,342</u>
Total	<u>\$ 6,411,467</u>	<u>\$ 1,029,582</u>	<u>\$ 449,771</u>	<u>\$ 7,890,820</u>	<u>\$ 6,778,976</u>	<u>\$ 986,531</u>	<u>\$ 466,473</u>	<u>\$ 8,231,980</u>

See notes to financial statements.

# INFAITH

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended February 29, 2020 And February 28, 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$(3,094,212)	\$(1,325,129)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	96,115	115,339
Realized and unrealized gains on investments	(304,865)	(62,632)
Actuarial loss on annuities payable	9,114	15,176
Net change in beneficial interest in perpetual trusts	2,351	63,797
Change in assets and liabilities:		
(Increase) decrease in:		
Interest and dividends receivable	3,080	6,548
Other receivables and prepaid expenses	16,840	(8,889)
Increase (decrease) in:		
Accounts payable	(7,368)	(8,565)
Accrued expenses and other liabilities	6,879	6,519
Post-retirement medical benefit	174,850	17,716
Accrued pension expense	2,562,623	354,884
Trust agreement deposits	<u>(19,200)</u>	<u>(17,500)</u>
<b>Net cash used in operating activities</b>	<u>(553,793)</u>	<u>(842,736)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,981,030)	(3,484,969)
Proceeds from sale of investments	7,598,258	4,059,895
Purchase of property and equipment	-	(50,000)
Annuity payments	(24,319)	(24,831)
Payments on notes receivable	<u>52,974</u>	<u>62,241</u>
<b>Net cash provided by investing activities</b>	<u>645,883</u>	<u>562,336</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	92,090	(280,400)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	<u>280,613</u>	<u>561,013</u>
End of Year	<u>\$ 372,703</u>	<u>\$ 280,613</u>

# **INFAITH**

## ***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***

**February 29, 2020 And February 28, 2019**

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### **(1) ORGANIZATION**

#### ***INFAITH***

InFaith is a faith mission proclaiming God’s Word to spiritually neglected people to evangelize, congregate, and disciple them for Jesus Christ. InFaith was established in 1817 as the American Sunday School Union and is a not-for-profit nondenominational organization. InFaith fulfills its purpose in both urban and rural United States by the planting of churches, establishing and maintaining Sunday schools, Bible classes, camps, and conferences, and holding evangelistic meetings. InFaith is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

#### ***INFAITH FOUNDATION***

The InFaith Foundation (the “*Foundation*”) is a not-for-profit corporation which was incorporated October 2, 2003, in the Commonwealth of Pennsylvania for the purpose of managing, investing, and distributing funds for the benefit of InFaith. The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as a 509(a)(3) Type I “Supporting Organization.”

Management has reviewed the tax positions for each of the open tax years (2017 – 2019) or expected to be taken in InFaith and the Foundation’s current year return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### **(2) SIGNIFICANT ACCOUNTING POLICIES**

#### ***BASIS OF ACCOUNTING AND CONSOLIDATION***

The financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of InFaith and the Foundation, as InFaith has control of and an economic interest in the Foundation. All significant intercompany balances and transactions have been eliminated.

The accompanying statements of activities do not include the income and expense for various summer camps throughout the United States which are operated by local congregations in association with InFaith.

#### ***USE OF ESTIMATES***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include the pension, post-retirement medical and medical insurance liabilities and the annuities payable. Actual results could differ from those estimates.

#### ***CASH AND CASH EQUIVALENTS***

InFaith considers highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.



# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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### ***BASIS OF PRESENTATION***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Accordingly, net assets of InFaith and the Foundation and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net assets with donor restrictions** – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions will be met either by actions of InFaith or the Foundation and/or the passage of time. Other donor-imposed stipulations are perpetual in nature where the donor stipulated that they will be maintained in perpetuity by InFaith or the Foundation. Generally, the donors of these assets permit InFaith or the Foundation to use all or part of the income earned on related investments for purposes with or without donor restrictions.

### ***BOARD DESIGNATED ANNUITY RESERVE***

InFaith issues life annuities for certain gifts received from individuals. InFaith transfers the annuities and their related liabilities to the Foundation. The Foundation records a liability for the present value of the expected future annuity payments, and a gift for the balance of the funds deposited by the annuitant. Each year, the liability is recalculated for changes in life expectancy and an actuarial gain (loss) is recorded for these changes.

The Board of Trustees has established a formula for calculating a portion of investments without donor restrictions which are to be designated as a reserve for the annuity program. The reserve is equal to the Commonwealth of Pennsylvania guidelines permitting issuance of Charitable Gift Annuities.

The 2020 and 2019 reserves are calculated as follows:

	<u>2020</u>	<u>2019</u>
State Guidelines - \$100,000 plus 50% of the contract amount of annuities issued and in effect.	<u>\$262,750</u>	<u>\$284,250</u>

### ***CONTRIBUTIONS***

InFaith reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as ***“released from restrictions”***.

Missionaries are required to raise their own contributing support base. Support income designated for specific missionaries is tracked and is considered in establishing the subsequent year's compensation for the missionaries. InFaith does not maintain a running balance of excess (deficiency) support by individual missionaries, as the income is that of the organization. Support income for missionaries is substantially spent in the year received and, therefore, is reported through the net assets without donor restrictions.

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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### **INVESTMENTS**

InFaith, through its Foundation, has pooled both investments with and without donor restrictions in order to achieve a higher return on investment than would be possible if the investments were invested separately.

Investments of marketable securities with readily determinable fair value and all investments in debt securities are reported in the financial statements at fair value. Fair value for those securities is determined by the closing price of the securities at the end of the fiscal year. Fair value of mortgages, loans, and notes receivable is assumed to equal cost. Realized gains and losses on sales of investments and properties are calculated as the difference between the historical cost of the investment and the proceeds received from the sale. The change in market appreciation (depreciation) of investments during the year is also included in gains and losses in the statement of activities.

Ordinary income, gains, and losses derived from investments are allocated based on unit values of each of the net asset categories in relation to the total pooled funds. Income, gains, and losses on investments are increases in net assets without donor restrictions unless restricted to purpose or future periods by donor stipulation or by law.

### **CREDIT RISK**

InFaith occasionally maintains brokerage cash accounts in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

InFaith’s principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation’s investment goals for total investment return, yield, tolerance of investment risk and investment turnover. The degree and concentration of credit risk vary by the type of investment.

### **PROPERTY AND EQUIPMENT**

Land, buildings, and equipment are recorded at cost or, if donated, at the fair value on the date donated. Generally, InFaith follows the practice of capitalizing all expenditures for buildings and equipment over \$5,000 (\$500 prior to fiscal year 2013). Depreciation on buildings and equipment is computed on the straight-line method over the following useful lives:

Buildings	39 years
Equipment	5-10 years

### **COLLECTIONS**

InFaith maintains an extensive collection of historical publications and artifacts. The historical items have either been donated or purchased by InFaith since its inception. The collection is preserved and displayed for the educational benefit of the members of InFaith. InFaith does not recognize the contributions of donated collection items as its collections are not capitalized. As of February 29, 2020 and February 28, 2019, the value of the collection has not been determined.

### **LIFE INCOME AGREEMENTS AND TRUST**

The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of gift annuities and a unitrust. On maturity, the remainder interests revert to InFaith.

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

### February 29, 2020 And February 28, 2019

The actuarial valuations of the gift annuities and unitrust are recorded as annuity payable and irrevocable trust liability. The present value of the annuities and unitrust agreements was determined using a discount rate of 6%.

#### FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and utilities, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

#### NEW ACCOUNTING PRONOUNCEMENTS - ADOPTED

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 was effective for fiscal years beginning after December 15, 2018. InFaith adopted the new ASU during 2020 however it did not have a material effect on the financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits. (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU No. 2017-07 requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as part of fringe benefit expense in the Consolidated Statements of Activities. The other components of net periodic benefit cost will be reported as non-operating activity in the Consolidated Statements of Activities. ASU No. 2017-07 was effective for annual periods beginning after December 15, 2018. InFaith has adopted ASU No. 2017-07 and the impacts of these retrospective changes are reflected in the Consolidated Statements of Activities for both years presented.

### (3) INVESTMENTS

The following is a summary of the fair value and historical cost of investments held at February 29, 2020 and February 28, 2019:

	February 29, 2020		February 28, 2019	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Money Market Funds	\$ 311,944	\$ 311,944	\$ 212,269	\$ 212,269
Common Stocks	1,011,154	753,686	1,541,666	1,054,459
Bonds				
Corporate and Foreign	1,460,220	1,377,054	1,443,808	1,449,205
U.S. Government Agencies	877,434	856,896	-	-
U.S. Treasury Notes	425,783	381,325	1,021,681	1,009,580
Registered Investment Companies				
Equity Funds	2,185,652	2,124,637	85,253	43,651
Exchange Trade Funds	730,099	714,594	2,683,396	2,165,527
GNMA Fund	252,380	251,485	243,384	251,485
Alternative Investments	2,316,186	1,799,880	2,651,758	1,828,105
Total investments	<u>\$ 9,570,852</u>	<u>\$ 8,571,501</u>	<u>\$ 9,883,215</u>	<u>\$ 8,014,281</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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Investments are comprised of the following:

	<u>2020</u>	<u>2019</u>
Endowments	\$ 8,509,414	\$ 7,595,387
Annuities	716,544	1,959,191
Other restricted investments	<u>344,894</u>	<u>328,637</u>
	<u>\$ 9,570,852</u>	<u>\$ 9,883,215</u>

Alternative investments consist of:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private Equity Fund – Global <sup>(a)</sup>	\$ 293,060	\$ 215,696
Private Equity Fund – Domestic <sup>(b)</sup>	1,189,567	880,146
Private Equity Fund – Absolute Return <sup>(c)</sup>	<u>833,559</u>	<u>-</u>
	<u>\$ 2,316,186</u>	<u>\$ 1,095,842</u>

- (a) The fund invests in a diversified pool of global private equity funds which invest in a portfolio of management buyouts, venture capital and growth capital in United States and Europe. Redemptions can only be made from this fund if a limited partner is available to buy the Foundation's share and the general partner approves the sale.
- (b) The fund invests in a diversified portfolio of hedge and private equity funds which invest in buyouts, distressed companies, growth equity, real estate, mezzanine capital, secondaries and venture capital. Redemptions can only be made from this fund if a limited partner is available to buy the Foundation's share and the general partner approves the sale.
- (c) The fund share class invests in a diversified basket of hedge fund managers and strategies in order to achieve a long-term, fixed income-like return with less volatility and limited correlation to traditional asset classes. The fair values of the investments in this category have been recorded at the net asset value of the underlying funds, which are predominantly investments in investment funds. Investors may not redeem any shares for a period of two years from the date of each purchase, subject to the discretion of the fund board. After the two-year lock-up period, redemptions can be made with 90 days of notice.

InFaith's alternative investment activities expose it to various types of risk including market, credit, currency, and interest rate risk.

The Foundation has pooled its investments, including net assets without donor restrictions designated for investment and net assets with donor restrictions. The Foundation uses the total return concept in accounting for its pooled investment funds. Under the total return method, investments are recorded at market value and the Foundation annually determines a spending percentage based upon 7% of the three-year average ending market value, by which the Foundation can expend not only income but a prudent portion of the appreciation of the principal. According to policy approved by the Board of Trustees, funds are invested in a manner to preserve the real purchasing power of the assets after all withdrawals and fees by earning a total rate of return over full market cycles of 3 to 5 years which will support the spending policy. If the endowment draw amount exceeds the actual earnings of the pooled Investment Funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, and, conversely, any undistributed income after the allocation of the spending rate amount is added back to the accumulated excess earnings in the appropriate net asset category.

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

### February 29, 2020 And February 28, 2019

Commonwealth of Pennsylvania law stipulates that realized and unrealized gains on endowment assets may be expended for the purposes stipulated by the donors only to the extent that the total of such expenditures, including dividends and interest and less fees, do not exceed 7% of the average of the three most recent fiscal years' fair values of the endowment assets with donor restrictions to be held in perpetuity. Realized and unrealized gains in excess of the approved spending percentage are included in the statements of activities as increases in net assets with donor restrictions. Such amounts with donor restrictions may be released to net assets without donor restrictions in future years based on authorization by the Foundation only to the extent of the 7% limitation applicable to the year in which they are to be released.

The Foundation's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, the composition of the Foundation's plan assets is broadly characterized as an allocation between equity and debt securities of approximately 70% / 30% for 2020 and 2019. The strategy utilizes primarily U.S. equity securities diversified across economic and industry sectors and actively managed debt securities rated investment quality or better by Standard & Poor's and/or Moody's Investors.

The following schedules summarize the investment return on the endowments and its classification in the statement of activities for the year ended February 29, 2020 and February 28, 2019:

	<b>February 29, 2020</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Interest and Dividends (Net of Investment Expenses of \$71,664)	\$ 4,363	\$ 104,819	\$ 109,182
Realized and Unrealized Gains on Investments	<u>229,272</u>	<u>121,200</u>	<u>350,472</u>
Total Return	233,635	226,019	459,654
Investment return designated for current operations *	<u>296,308</u>	<u>270,891</u>	<u>567,199</u>
Investment return net of amounts designated for current operations	<u>\$ (62,673)</u>	<u>\$ (44,872)</u>	<u>\$ (107,545)</u>

	<b>February 28, 2019</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Interest and Dividends (Net of Investment Expenses of \$59,726)	\$ 31,780	\$ 85,953	\$ 117,733
Realized and Unrealized Gains on Investments	<u>(11,626)</u>	<u>36,984</u>	<u>25,358</u>
Total Return	20,154	122,937	143,091
Investment return designated for current operations *	<u>306,742</u>	<u>260,671</u>	<u>567,413</u>
Investment return net of amounts designated for current operations	<u>\$ (286,588)</u>	<u>\$ (137,734)</u>	<u>\$ (424,322)</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

	<b>February 29, 2020</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
* Reconciliation to Statement of Activities			
Investment return designated for current Operations per above	\$ 296,308	\$ 270,891	\$ 567,199
Investment return – perpetual endowment Income unrestricted as to use	<u>40,560</u>	<u>(40,560)</u>	<u>-</u>
Per Statement of Activities –investment return	<u>\$ 336,868</u>	<u>\$ 230,331</u>	<u>\$ 567,199</u>

  

	<b>February 28, 2019</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
* Reconciliation to Statement of Activities			
Investment return designated for current Operations per above	\$ 306,742	\$ 260,671	\$ 567,413
Investment return – perpetual endowment Income unrestricted as to use	<u>39,747</u>	<u>(39,747)</u>	<u>-</u>
Per Statement of Activities –investment return	<u>\$ 346,489</u>	<u>\$ 220,924</u>	<u>\$ 567,413</u>

### (4) NOTES RECEIVABLE

During 2013, InFaith sold a property to a church in exchange for a \$232,425 promissory note. The note bears interest at 2% and matures July 1, 2022. It is payable in monthly installments of \$1,496. The note is secured by a lien on the property sold. During 2018, a church dissolved, and its net assets were transferred to InFaith. The church's net assets consisted of a note receivable for a \$142,500 related to the sale of the church's property. The note bears interest at 2% and matures July 1, 2022. It is payable in monthly installments of \$1,520. The note is secured by a lien on the church property sold. Notes receivable at February 29, 2020 and February 28, 2019 are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Notes receivable	\$ 138,441	\$ 191,415
Less: Current portion	<u>33,731</u>	<u>32,617</u>
Notes receivable net of current portion	<u>\$ 104,710</u>	<u>\$ 158,798</u>

### (5) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

InFaith is recipient of income from several trusts which are administered by financial institutions or other not-for-profit organizations. At February 29, 2020 and February 28, 2019, \$1,081,781 and \$1,084,132, respectively, represents the fair value of the trusts. These assets are reported in net assets with donor restrictions.

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

### (6) FAIR VALUE OF FINANCIAL INSTRUMENTS

InFaith utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that InFaith has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing InFaith's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

#### INVESTMENTS MEASURED USING THE NET ASSET VALUE PRACTICAL EXPEDIENT

For those investments for which fair value is measured using the net asset value practical expedient, InFaith uses the reported capital account or net asset value (NAV) per share to determine the fair value of investments that (a) do not have a readily determinable fair value due to a lack of market activity or transparency into the underlying investments of the fund and (b) either have the attributes of an investment company or prepare their audited financial statements consistent with the measurement principals of an investment company.

The summary of inputs used to value InFaith's assets that are carried at fair value as of February 29, 2020 and February 28, 2019 is as follows:

<b>Investments</b>	<b>February 29, 2020</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money Market Funds	\$ 311,944	\$ -	\$ -	\$ 311,944
Common Stocks	1,011,154	-	-	1,011,154
Bonds				
Corporate	-	1,460,220	-	1,460,220
U.S Government Agencies	-	877,434	-	877,434
U.S. Treasury Notes	425,783	-	-	425,783
Registered Investment Companies				
Equity Funds	2,185,652	-	-	2,185,652
Exchange Traded Funds	730,099	-	-	730,099
GNMA Fund	<u>252,380</u>	<u>-</u>	<u>-</u>	<u>252,380</u>
	<u>\$ 4,917,012</u>	<u>\$ 2,337,654</u>	<u>\$ -</u>	<u>7,254,666</u>
Other investments reported at Net Asset Value				<u>2,316,186</u>
Total Investments				<u>\$ 9,570,852</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,081,781</u>	<u>\$ 1,081,781</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

### February 29, 2020 And February 28, 2019

<u>Investments</u>	<u>February 28, 2019</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Funds	\$ 212,269	\$ -	\$ -	\$ 212,269
Common Stocks	1,541,666	-	-	1,541,666
Bonds				
Corporate	-	1,443,808	-	1,443,808
U.S. Treasury Notes	1,021,681	-	-	1,021,681
Registered Investment Companies				
Equity Funds	85,253	-	-	85,253
Exchange Traded Funds	2,683,396	-	-	2,683,396
GNMA Fund	<u>243,384</u>	<u>-</u>	<u>-</u>	<u>243,384</u>
	<u>\$ 5,787,649</u>	<u>\$ 1,443,808</u>	<u>\$ -</u>	<u>7,231,457</u>
Other investments reported at Net Asset Value				<u>2,651,758</u>
Total Investments				<u>\$ 9,883,215</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,132</u>	<u>\$ 1,084,132</u>

There were no transfers between Level 1 and Level 2 during the years ended February 29, 2020 and February 28, 2019.

The changes in assets measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,084,132	\$ 1,147,929
Change in value of beneficial interest in perpetual trusts	<u>(2,351)</u>	<u>(63,797)</u>
Ending balance	<u>\$ 1,081,781</u>	<u>\$ 1,084,132</u>

Beneficial Interest in Remainder Trusts and in Perpetual Trusts are measured at the estimated future cash flows which involve unobservable inputs. As a result, these present value techniques would be Level 3 inputs.

### (7) PROPERTY AND EQUIPMENT

A summary of property and equipment at February 29, 2020 and February 28, 2019 is as follows:

	<u>February 29, 2020</u>			<u>Book Value</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>	
Building	\$ 1,098,276	\$ 28,161	\$ 126,724	\$ 971,552
Equipment and Furniture	<u>444,278</u>	<u>67,954</u>	<u>341,453</u>	<u>102,825</u>
	<u>\$ 1,542,554</u>	<u>\$ 96,115</u>	<u>\$ 468,177</u>	<u>\$ 1,074,377</u>
	<u>February 28, 2019</u>			<u>Book Value</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>	
Building	\$ 1,098,276	\$ 28,161	\$ 98,563	\$ 999,713
Equipment and Furniture	<u>444,278</u>	<u>87,178</u>	<u>273,499</u>	<u>170,779</u>
	<u>\$ 1,542,554</u>	<u>\$ 115,339</u>	<u>\$ 372,062</u>	<u>\$ 1,170,492</u>



# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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### (8) NET ASSETS

Net assets with donor restrictions at February 29, 2020 and February 28, 2019 were held for the following time or purpose restrictions:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose:		
Books	\$ 11,731	\$ 16,971
Bibles Distribution	936,974	901,255
Camps and Campers	1,861	1,600
Education	10,896	9,221
Missionary Work Funds	99,978	81,435
Missionary Support and Services	203,432	214,724
Regional Geographic Uses	1,437,636	1,545,109
Retired Missionaries	195,639	123,318
Urban Ministry	178,644	198,583
Vacation Bible Schools, Clubs	101,372	111,761
General Operating – Time Restricted	<u>-</u>	<u>1,558</u>
	3,178,163	3,205,535
Perpetual in nature		
Historical Basis of Endowments	710,029	710,029
Other Perpetual Investments	51,655	51,655
Beneficiary Interest in Perpetual Trusts	<u>1,081,781</u>	<u>1,084,132</u>
	<u>\$ 5,021,628</u>	<u>\$ 5,051,351</u>

The net assets restricted to expenditure for a specified purpose include \$1,490,218 and \$1,556,397 of accumulated endowment gains as of February 29, 2020 and February 28, 2019, respectively.

Net assets with donor restrictions were released to net assets without donor restrictions during February 29, 2020 and February 28, 2019 as purpose and time restrictions were met, as follows:

	<u>2020</u>	<u>2019</u>
Purpose - Operating		
Bibles Distribution	\$ 19,642	\$ 16,410
Missionary Work Funds	123,619	190,727
Missionary Support and Services	20,809	29,079
Regional Geographic Uses	181,665	174,771
Retired Missionaries	<u>-</u>	<u>7,585</u>
	<u>\$ 345,735</u>	<u>\$ 418,572</u>
Other	<u>\$ -</u>	<u>\$ 1,415,675</u>

During the year ended February 28, 2019, InFaith reviewed the governing instruments of certain net assets amounting to \$1,415,675 which were previously classified as donor restricted and determined that these net assets were without restrictions and, therefore, released these net assets to donor unrestricted net assets.

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

### ENDOWMENT AND OTHER INVESTMENT FUNDS

Endowment funds include donor restricted funds, and general operating investments functioning as endowment. The classification by net asset type at February 29, 2020 and February 28, 2019 is as follows:

	February 29, 2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds – perpetual in nature	\$ -	\$ 710,029	\$ 710,029
Donor-restricted funds - other	-	2,910,185	2,910,185
Without donor restrictions – functioning as endowment	<u>4,905,368</u>	<u>-</u>	<u>4,905,368</u>
	<u>\$4,905,368</u>	<u>\$3,620,214</u>	<u>\$8,525,582</u>

	February 28, 2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds – perpetual in nature	\$ -	\$ 710,029	\$ 710,029
Donor-restricted funds - other	-	2,933,258	2,933,258
Without donor restrictions – functioning as endowment	<u>3,971,348</u>	<u>-</u>	<u>3,971,348</u>
	<u>\$3,971,348</u>	<u>\$3,643,287</u>	<u>\$7,614,635</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as net assets with donor restrictions. Income earned on such gifts is classified as with donor restrictions until it is expended in accordance with state law and/or the donor restriction.

Changes in endowment net assets for the years ended February 29, 2020 and February 28, 2019:

	February 29, 2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$3,971,348	\$3,643,287	\$7,614,635
Investment income, net	4,363	104,819	109,182
Realized and unrealized gains	229,272	121,200	350,472
Endowment income designated for current operations	(296,308)	(270,891)	(567,199)
Transfers of funds to functioning as endowment	1,211,293	-	1,211,293
(Expenses) / retained income - net	<u>(214,600)</u>	<u>21,799</u>	<u>(192,801)</u>
Endowment net assets, end of year	<u>\$4,905,368</u>	<u>\$3,620,214</u>	<u>\$8,525,582</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

	February 28, 2019		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$2,985,879	\$ 5,182,447	\$ 8,168,326
Investment income, net	31,780	85,953	117,733
Realized and unrealized gains	(11,626)	36,984	25,358
Endowment income designated for current operations	(306,742)	(260,671)	(567,413)
Releases from restrictions	1,415,675	(1,415,675)	-
(Expenses) / retained income	<u>(143,618)</u>	<u>14,249</u>	<u>(129,369)</u>
Endowment net assets, end of year	<u>\$3,971,348</u>	<u>\$ 3,643,287</u>	<u>\$ 7,614,635</u>

### (9) PENSION PLAN

InFaith sponsors a noncontributory, qualified defined benefit plan covering all full-time employees. Employees commenced participation in the plan on the first day of the month following the date of employment and are 100% vested upon completion of five years of service. The benefit formula provides a minimum monthly benefit of \$12 multiplied by the participant's years of credited service (up to a maximum of thirty-five years). The annual measurement date for the plan is February 28. The actuary provides estimates of net periodic pension costs, accumulated benefit obligation, and accrued pension expense as of and for the years ended February 29, 2020 and February 28, 2019.

The pension plan was amended during 2011 to freeze benefits for all participants effective March 15, 2011.

The following amounts relate to InFaith's defined benefit pension plan:

	<u>2020</u>	<u>2019</u>
Projected pension benefit obligation	\$ 16,945,107	\$ 14,769,073
Fair value of plan assets	<u>6,527,930</u>	<u>6,914,519</u>
Projected benefit obligation in excess of plan assets	(10,417,177)	(7,854,554)
Item not recognized as a component of net periodic pension cost:		
Unrecognized loss	<u>6,438,514</u>	<u>4,660,924</u>
Accrued pension expense	(3,978,663)	(3,193,630)
Additional minimum liability net accrued pension expense	<u>(6,438,514)</u>	<u>(4,660,924)</u>
	<u>\$(10,417,177)</u>	<u>\$ (7,854,554)</u>

Due to the frozen nature of the plan, the accumulated benefit obligation is the same as the projected benefit obligation at February 29, 2020 and February 28, 2019.

The principal assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	<u>2020</u>	<u>2019</u>
Weighted average discount rate	2.50%	3.95%
Expected return on plan assets	5.75%	6.50%
Rate of compensation increase	0.00%	0.00%

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

### February 29, 2020 And February 28, 2019

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InFaith's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class. The change in the projected pension benefit obligation for the year ended February 29, 2020 was primarily due to the decrease in the weighted-average discount rate.

The following is the defined benefit pension expense, contributions and benefits paid for the years ended February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Pension expense	\$ 785,033	\$822,393
Contributions	\$ -	\$ -
Benefits paid	\$ 824,279	\$801,214

For the years ended February 29, 2020 and February 28, 2019, the pension benefit expense comprised the net actuarial loss not recognized yet in net periodic benefit cost, but recognized as a decrease in net assets without restriction of \$6,438,514 and \$4,660,924, respectively.

	<u>2020</u>	<u>2019</u>
<b>Components of Net Periodic Benefit Cost</b>		
Interest cost on projected benefit obligation	\$ 561,235	\$ 563,055
Expected return on plan assets	(413,005)	(463,133)
Amortization of net loss	<u>636,803</u>	<u>722,471</u>
Total net periodic benefit cost	<u>\$ 785,033</u>	<u>\$ 822,393</u>

Contributions – InFaith has a recommended contribution of approximately \$334,345 for 2021 based upon the actuarial calculations.

Management's estimates of benefits to be paid in the next 10 years are as follows:

#### Year Ending February 28,

2021	\$ 1,086,166
2022	1,125,407
2023	1,124,357
2024	1,106,875
2025	1,082,012
2026 through 2030	<u>5,075,784</u>
	<u>\$10,600,601</u>

#### **PLAN ASSETS**

InFaith's pension plan average asset allocations at February 29, 2020 and February 28, 2019, by category are as follows:

<u>Asset Category</u>	<u>2020</u>	<u>2019</u>
Debt Securities –		
U.S. Government and Government Agencies	0%	0%
Corporate	47%	47%
Mutual Funds – Exchange Traded	52%	52%
Money Market Investments	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

### February 29, 2020 And February 28, 2019

InFaith's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, the composition of InFaith's plan assets is broadly characterized as an allocation between equity and debt securities of 60% / 40% for 2020 and 2019. The strategy utilizes primarily U.S. equity securities diversified across economic and industry sectors and actively managed debt securities rated investment quality or better by Standard & Poor's and/or Moody's Investors.

InFaith attempts to mitigate investment risk by rebalancing between equity and debt classes as InFaith's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

The Plan's assets consist of the following at February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Money Market Funds	\$ 69,182	\$ 74,758
Bonds		
Corporate	3,198,025	3,135,665
U.S. Treasury Notes	20,722	19,356
U.S. Government Agencies	2,050	2,075
Mutual Funds – Exchange Traded	<u>3,237,951</u>	<u>3,682,665</u>
Total Investments	<u>\$ 6,527,930</u>	<u>\$ 6,914,519</u>

The Plan's assets are held by a trustee, Matrix Trust Company, and are not included within the assets presented in these financial statements.

The summary of inputs used to value the Plan's assets that are carried at fair value as of February 29, 2020 and February 28, 2019 is as follows:

	<u>February 29, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>Investments</u></b>				
Money market funds	\$ 69,182	\$ -	\$ -	\$ 69,182
Bonds				
Corporate	-	3,198,025	-	3,198,025
U.S. Treasury Notes	20,722	-	-	20,722
U.S. Government Agencies	-	2,050	-	2,050
Mutual Funds – Exchange Traded	<u>3,237,951</u>	<u>-</u>	<u>-</u>	<u>3,237,951</u>
Total Investments	<u>\$ 3,327,855</u>	<u>\$ 3,200,075</u>	<u>\$ -</u>	<u>\$ 6,527,930</u>

	<u>February 28, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>Investments</u></b>				
Money market funds	\$ 74,758	\$ -	\$ -	\$ 74,758
Bonds				
Corporate	-	3,135,665	-	3,135,665
U.S. Treasury Notes	19,356	-	-	19,356
U.S. Government Agencies	-	2,075	-	2,075
Mutual Funds – Exchange Traded	<u>3,682,665</u>	<u>-</u>	<u>-</u>	<u>3,682,665</u>
Total Investments	<u>\$ 3,776,779</u>	<u>\$ 3,137,740</u>	<u>\$ -</u>	<u>\$ 6,914,519</u>

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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### (10) 401(k) RETIREMENT PLAN

InFaith has a 401(k) Profit Sharing Plan for its employees.

Under terms of the Plan, employees may make elective contributions to the Plan as permitted by law. InFaith matches employee contributions up to 3% of an employee's compensation. InFaith, at its discretion from year to year, may also make additional contributions on behalf of employees.

For the years ended February 29, 2020 and February 28, 2019, InFaith made matching contributions of \$113,725 and \$119,201, respectively, and made no discretionary contributions in either years.

### (11) POST RETIREMENT HEALTH CARE PLAN

InFaith sponsors an unfunded defined contribution health care benefit plan, available to retirees who had been full-time employees of InFaith. Only full-time employees who attained the age of 58 or older by 2014 and are employed on their normal retirement date (age 65) are eligible to participate in the plan. If the eligible employee has a spouse, the spouse is also eligible under the plan. Under the plan, InFaith expects to contribute up to \$1,000 per year to a health reimbursement account to cover retiree healthcare claims or health insurance for those who enroll in the plan. This plan may be terminated by the Board of Trustees.

The following amounts relate to InFaith's postretirement medical obligation for the year ended February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	\$ 1,487,453	\$ 1,312,603
Accumulated benefit obligation in excess of plan assets	\$(1,487,453)	\$(1,312,603)

Benefits paid for the years ending February 29, 2020 and February 28, 2019 were \$92,872 and \$95,786, respectively.

Assumptions used in the computation of net health care expense are as follows at February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Weighted average discount rate	2.50%	3.95%
Healthcare cost trend rate	N/A	N/A

# INFAITH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 29, 2020 And February 28, 2019

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### (12) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

InFaith strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds.

The following table reflects InFaith's financial assets as of February 29, 2020 and February 28, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 372,703	\$ 280,613
Interest and dividends receivable	16,168	19,248
Investments	9,570,852	9,883,215
Current portion of notes receivable	<u>33,731</u>	<u>32,617</u>
Total financial assets available	9,993,454	10,215,693
Less:		
Assets restricted as to use:		
Board-designated and true endowment funds	(8,525,582)	(7,614,635)
Other restricted net assets	(319,633)	(323,932)
Charitable gift annuity investments	<u>(716,544)</u>	<u>(1,959,191)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 431,695</u>	<u>\$ 317,935</u>

Board-designated investments of \$4,905,368 and \$3,971,348 for the years ended February 29, 2020 and February 28, 2019, respectively could be made available, if necessary, with Board approval. Prudent investment management however must be considered to ensure the preservation of the funds for future use

### (13) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, July 20, 2020, have been evaluated in the preparation of the financial statements. In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the InFaith's operations is not reasonably estimable at this time. There were no other events or transactions that occurred during the period that materially impacted the amounts and disclosures in the InFaith's financial statements.

## **SUPPLEMENTAL INFORMATION**



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**INDEPENDENT AUDITOR'S REPORT ON THE  
SUPPLEMENTARY INFORMATION**

**To the Board of Trustees  
InFaith  
Exton, Pennsylvania**

We have audited the consolidated financial statements of InFaith as of and for the years ended February 29, 2020 and February 28, 2019, and our report thereon dated July 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on consolidated financial statements as a whole. The supplementary information on pages 23 through 26 is presented for purposes of additional analysis and is not a required part of the basic 2020 and 2019 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Tait, Weller & Baker LLP*  
**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
July 20, 2020**

# INFAITH

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

February 29, 2020

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 372,703	\$ -	\$ -	\$ 372,703
Interest and dividends receivable	-	16,168	-	16,168
Inter-entity receivable	4,298,795	-	(4,298,795)	-
Investments	344,894	9,225,958	-	9,570,852
Notes receivable	138,441	-	-	138,441
Other receivables and prepaid expenses	36,912	-	-	36,912
Beneficial interest in perpetual trusts	1,081,781	-	-	1,081,781
Property and equipment, net	<u>1,074,377</u>	<u>-</u>	<u>-</u>	<u>1,074,377</u>
<b>Total Assets</b>	<b><u>\$ 7,347,903</u></b>	<b><u>\$ 9,242,126</u></b>	<b><u>\$(4,298,795)</u></b>	<b><u>\$ 12,291,234</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 18,039	\$ -	\$ -	\$ 18,039
Accrued expenses and other liabilities	48,535	-	-	48,535
Accrued postretirement medical benefit	1,487,453	-	-	1,487,453
Accrued pension expense	10,417,177	-	-	10,417,177
Inter-entity payable	-	4,298,795	(4,298,795)	-
Annuities payable	-	168,190	-	168,190
Trust agreement deposits	<u>12,300</u>	<u>-</u>	<u>-</u>	<u>12,300</u>
<b>Total Liabilities</b>	<b><u>11,983,504</u></b>	<b><u>4,466,985</u></b>	<b><u>(4,298,795)</u></b>	<b><u>12,151,694</u></b>
<b>NET ASSETS</b>				
Without donor restrictions				
General operating funds	5,867,615	1,154,927	-	7,022,542
Accrued pension and postretirement medical benefit liabilities	<u>(11,904,630)</u>	<u>-</u>	<u>-</u>	<u>(11,904,630)</u>
<b>Total Net Assets Without Donor Restrictions</b>	<b>(6,037,015)</b>	<b>1,154,927</b>	<b>-</b>	<b>(4,882,088)</b>
With donor restrictions	<u>1,401,414</u>	<u>3,620,214</u>	<u>-</u>	<u>5,021,628</u>
<b>Total Net Assets</b>	<b><u>(4,635,601)</u></b>	<b><u>4,775,141</u></b>	<b><u>-</u></b>	<b><u>139,540</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,347,903</u></b>	<b><u>\$ 9,242,126</u></b>	<b><u>\$(4,298,795)</u></b>	<b><u>\$ 12,291,234</u></b>

# INFAITH

## CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITHOUT DONOR RESTRICTIONS

Year Ended February 29, 2020

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Revenues, Gains (Losses), and Other Support</b>				
Contributions	\$ 6,774,442	\$ -	\$ -	\$ 6,774,442
Outside trusts	48,549	-	-	48,549
Legacies and bequests	106,843	-	-	106,843
Other revenues	38,586	-	-	38,586
Actuarial loss on annuities	-	(9,114)	-	(9,114)
Other investment income	15,923	-	-	15,923
Investment return designated for current operations	-	336,868	-	336,868
Assets transferred to InFaith	551,468	(551,468)	-	-
Net assets released from restrictions	<u>345,735</u>	<u>-</u>	<u>-</u>	<u>345,735</u>
<b>Total revenues, gains (losses), and other support</b>	<u>7,881,546</u>	<u>(223,714)</u>	<u>-</u>	<u>7,657,832</u>
<b>Expenses</b>				
Program services – missions	6,411,467	-	-	6,411,467
Supporting services				
General and administration	1,029,582	-	-	1,029,582
Development and public relations	<u>449,771</u>	<u>-</u>	<u>-</u>	<u>449,771</u>
<b>Total expenses</b>	<u>7,890,820</u>	<u>-</u>	<u>-</u>	<u>7,890,820</u>
<b>Change in net assets from operations</b>	<u>(9,274)</u>	<u>(223,714)</u>	<u>-</u>	<u>(232,988)</u>
<b>Other Changes</b>				
Investment return net of amounts designated for current operations	-	(62,673)	-	(62,673)
Investment income - charitable gift annuities	-	(31,355)	-	(31,355)
Change in funded status of pension plan	(2,562,623)	-	-	(2,562,623)
Change in post-retirement medical benefit liability	<u>(174,850)</u>	<u>-</u>	<u>-</u>	<u>(174,850)</u>
<b>Total other changes</b>	<u>(2,737,473)</u>	<u>(94,028)</u>	<u>-</u>	<u>(2,831,501)</u>
<b>Change in net assets</b>	<u>(2,746,747)</u>	<u>(317,742)</u>	<u>-</u>	<u>(3,064,489)</u>
<b>Net Assets</b>				
Beginning of year	<u>(3,290,268)</u>	<u>1,472,669</u>	<u>-</u>	<u>(1,817,599)</u>
End of year	<u>\$ (6,037,015)</u>	<u>\$ 1,154,927</u>	<u>\$ -</u>	<u>\$ (4,882,088)</u>

# INFAITH

## CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITH DONOR RESTRICTIONS

Year Ended February 29, 2020

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	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Revenues, Gains (Losses), and Other Support</b>				
Contributions for work funds	\$ 125,643	\$ -	\$ -	\$ 125,643
Other investment income	7,261	-	-	7,261
Investment return designated for current operations	-	230,331	-	230,331
Assets transferred to InFaith	208,532	(208,532)	-	-
Net assets released from restrictions	<u>(345,735)</u>	<u>-</u>	<u>-</u>	<u>(345,735)</u>
<b>Total revenues, gains (losses), and other support</b>	(4,299)	21,799	-	17,500
<b>Other Changes</b>				
Investment return net of amounts designated for current operations	-	(44,872)	-	(44,872)
Change in beneficial interest in perpetual trusts	<u>(2,351)</u>	<u>-</u>	<u>-</u>	<u>(2,351)</u>
<b>Change in net assets</b>	(6,650)	(23,073)	-	(29,723)
<b>Net Assets</b>				
Beginning of year	<u>1,408,064</u>	<u>3,643,287</u>	<u>-</u>	<u>5,051,351</u>
End of year	<u>\$ 1,401,414</u>	<u>\$ 3,620,214</u>	<u>\$ -</u>	<u>\$ 5,021,628</u>

# INFAITH

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended February 29, 2020

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Change in net assets	\$(2,753,397)	\$ (340,815)	\$ -	\$(3,094,212)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities				
Depreciation	96,115	-	-	96,115
Realized and unrealized (gains) losses on investments	(13,839)	(291,026)	-	(304,865)
Net change in beneficial interest in perpetual trusts	2,351	-	-	2,351
Actuarial loss on annuities payable	-	9,114	-	9,114
Transfers – Foundation to InFaith	(760,000)	760,000	-	-
Change in assets and liabilities:				
(Increase) decrease in:				
Interest and dividends receivable	-	3,080	-	3,080
Other receivables and prepaid expenses	16,840	-	-	16,840
Increase (decrease) in:				
Accounts payable	(7,368)	-	-	(7,368)
Accrued expenses and other liabilities	6,879	-	-	6,879
Post-retirement medical benefit	174,850	-	-	174,850
Accrued pension expense	2,562,623	-	-	2,562,623
Trust agreement deposits	(19,200)	-	-	(19,200)
Inter-entity payable (receivable)	<u>(24,320)</u>	<u>24,320</u>	<u>-</u>	<u>-</u>
<b>Net cash (used in) provided by operating activities</b>	<u>(718,466)</u>	<u>164,673</u>	<u>-</u>	<u>(553,793)</u>
<b>Cash Flows from Investing Activities</b>				
Transfers – Foundation to InFaith	760,000	(760,000)	-	-
Purchase of investments	(2,418)	(6,978,612)	-	(6,981,030)
Proceeds from sale of investments	-	7,598,258	-	7,598,258
Annuity payments	-	(24,319)	-	(24,319)
Payments on notes receivable	<u>52,974</u>	<u>-</u>	<u>-</u>	<u>52,974</u>
<b>Net cash provided by (used in) investment activities</b>	<u>810,556</u>	<u>(164,673)</u>	<u>-</u>	<u>645,883</u>
<b>Net increase in cash</b>	92,090	-	-	92,090
<b>Cash and Cash Equivalents</b>				
Beginning of year	<u>280,613</u>	<u>-</u>	<u>-</u>	<u>280,613</u>
End of year	<u>\$ 372,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,703</u>