

# 2022

Rafiki Foundation, Inc.

Financial Statements and  
Independent Auditor's Report

December 31, 2022

**PURVIS GRAY**  
CERTIFIED PUBLIC ACCOUNTANTS

**RAFIKI FOUNDATION, INC.  
EUSTIS, FLORIDA**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rafiki Foundation, Inc.  
Eustis, Florida

### Opinion

We have audited the accompanying financial statements of Rafiki Foundation, Inc. (the Foundation), a non-profit organization, which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of the Foundation as of December 31, 2021, were audited by other auditors whose report dated June 30, 2022, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Rafiki Foundation, Inc.  
Eustis, Florida

## INDEPENDENT AUDITOR'S REPORT

### **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, it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 the Foundation'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 the Foundation'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.



June 26, 2023  
Ocala, Florida

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and Cash Equivalents - Home Office	\$ 3,801,825	\$ 4,445,159
Cash and Cash Equivalents - Foreign	122,666	102,218
Total Cash and Cash Equivalents	3,924,491	4,547,377
Accounts Receivable	-	105
Prepaid Assets	96,860	107,526
Inventories	181,494	158,496
<b>Total Current Assets</b>	4,202,845	4,813,504
<b>Non-Current Assets</b>		
Construction in Progress	-	219,493
Property and Equipment, Net	17,383,383	18,366,663
Contribution Receivable - Charitable Remainder Unitrust	82,373	86,929
Trademark, Net	1,610	2,146
Operating Lease Right-of-Use Assets	580,215	-
<b>Total Non-Current Assets</b>	18,047,581	18,675,231
<b>Total Assets</b>	22,250,426	23,488,735
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	34,072	21,683
Accrued Expenses	21,897	28,075
Operating Lease Liabilities, Current Portion	124,945	-
<b>Total Current Liabilities</b>	180,914	49,758
<b>Long-Term Liabilities</b>		
Operating Lease Liabilities, Less Current Portion	455,270	-
<b>Total Long-Term Liabilities</b>	455,270	-
<b>Total Liabilities</b>	636,184	49,758
<b>Net Assets</b>		
Without Donor Restrictions	19,565,759	20,577,978
With Donor Restrictions	2,048,483	2,860,999
<b>Total Net Assets</b>	21,614,242	23,438,977
<b>Total Liabilities and Net Assets</b>	\$ 22,250,426	\$ 23,488,735

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

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains (Losses), and Other Support</b>			
Individual Contributions	\$ 3,564,710	\$ 5,853,166	\$ 9,417,876
Interest and Dividend Income	15,708	-	15,708
Education and Curriculum Income	-	57,475	57,475
Exchange Operations	-	197,267	197,267
Net Assets Released from Restrictions	6,920,424	(6,920,424)	-
<b>Total Revenues, Gains (Losses), and Other Support</b>	<u>10,500,842</u>	<u>(812,516)</u>	<u>9,688,326</u>
<b>Functional Expenses</b>			
Program Services	10,624,407	-	10,624,407
Support Services	888,654	-	888,654
<b>Total Functional Expenses</b>	<u>11,513,061</u>	<u>-</u>	<u>11,513,061</u>
<b>Increase (Decrease) in Net Assets</b>	(1,012,219)	(812,516)	(1,824,735)
<b>Net Assets, Beginning of Year</b>	<u>20,577,978</u>	<u>2,860,999</u>	<u>23,438,977</u>
<b>Net Assets, End of Year</b>	<u>\$ 19,565,759</u>	<u>\$ 2,048,483</u>	<u>\$ 21,614,242</u>

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

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains (Losses), and Other Support</b>			
Individual Contributions	\$ 4,644,253	\$ 5,928,463	\$ 10,572,716
Interest and Dividend Income	442	-	442
Net Realized and Unrealized Loss on Investments	(781)	-	(781)
Education and Curriculum Income	-	44,310	44,310
Exchange Operations	-	253,351	253,351
Net Assets Released from Restrictions	6,727,894	(6,727,894)	-
<b>Total Revenues, Gains (Losses), and Other Support</b>	<u>11,371,808</u>	<u>(501,770)</u>	<u>10,870,038</u>
<b>Functional Expenses</b>			
Program Services	9,155,855	-	9,155,855
Support Services	880,616	-	880,616
<b>Total Functional Expenses</b>	<u>10,036,471</u>	<u>-</u>	<u>10,036,471</u>
<b>(Decrease) Increase in Net Assets</b>	1,335,337	(501,770)	833,567
<b>Net Assets, Beginning of Year</b>	<u>19,242,641</u>	<u>3,362,769</u>	<u>22,605,410</u>
<b>Net Assets, End of Year</b>	<u>\$ 20,577,978</u>	<u>\$ 2,860,999</u>	<u>\$ 23,438,977</u>

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

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Support			Program	Total Support and Program Services
	Fund- Raising	Management and General	Total Support Services	Program Services	
<b>Functional Expenses</b>					
Bank and Investment Fees	\$ -	\$ 77,352	\$ 77,352	\$ -	\$ 77,352
Computer	5,998	32,951	38,949	62,217	101,166
Contract Services	-	70	70	-	70
Education	14,675	-	14,675	687,651	702,326
Entertainment/Accommodations	422	506	928	759	1,687
Food Services	2,646	3,175	5,821	4,762	10,583
Fundraising	34,152	-	34,152	-	34,152
Insurance	10,393	24,249	34,642	34,642	69,284
Medical Center	-	-	-	838	838
Mini-Missions	-	-	-	165,642	165,642
Miscellaneous	2,393	3,210	5,603	20,697	26,300
Missionary Field Expenses	2,194	2,943	5,137	510,407	515,544
Office Supplies	2,103	2,822	4,925	12,386	17,311
Postage and Shipping	2,495	9,979	12,474	42,468	54,942
Printing and Publishing	6,437	11,719	18,156	99,608	117,764
Professional Services	9,012	16,046	25,058	52,085	77,143
Projects	-	-	-	34,875	34,875
Property Taxes	-	4,976	4,976	-	4,976
Rent - Equipment	1,273	5,094	6,367	19,102	25,469
Repairs and Maintenance	10,254	13,756	24,010	60,385	84,395
RICE Program	-	-	-	181,018	181,018
Salaries and Related Expenses	143,734	192,827	336,561	2,243,948	2,580,509
Security Services	1,346	1,806	3,152	7,930	11,082
Telephone	1,868	2,506	4,374	11,001	15,375
Travel	1,219	2,437	3,656	85,322	88,978
Utilities	4,386	5,885	10,271	25,831	36,102
Vehicles	548	735	1,283	3,229	4,512
Villages, Children, and Schools	-	-	-	4,531,411	4,531,411
Widows Exchange	-	-	-	198,554	198,554
<b>Total Functional Expenses Before Depreciation and Amortization</b>	<b>257,548</b>	<b>415,044</b>	<b>672,592</b>	<b>9,096,768</b>	<b>9,769,360</b>
Depreciation and Amortization	536	215,526	216,062	1,527,639	1,743,701
<b>Total Functional Expenses</b>	<b>\$ 258,084</b>	<b>\$ 630,570</b>	<b>\$ 888,654</b>	<b>\$ 10,624,407</b>	<b>\$ 11,513,061</b>

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



**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Support			Program	Total Support and Program Services
	Fund- Raising	Management and General	Total Support Services	Program Services	
<b>Functional Expenses</b>					
Bank and Investment Fees	\$ -	\$ 73,074	\$ 73,074	\$ -	\$ 73,074
Computer	5,026	22,865	27,891	52,106	79,997
Contract Services	-	10,018	10,018	-	10,018
Education	29,535	-	29,535	434,944	464,479
Entertainment/Accommodations	176	212	388	317	705
Food Services	1,683	2,018	3,701	3,029	6,730
Fundraising	32,023	-	32,023	-	32,023
Insurance	16,263	37,945	54,208	54,209	108,417
Mini-Missions	-	-	-	50,544	50,544
Miscellaneous	-	-	-	5,681	5,681
Missionary Field Expenses	3,733	5,382	9,115	411,808	420,923
Office Supplies	969	1,399	2,368	5,909	8,277
Postage and Shipping	2,475	9,898	12,373	42,952	55,325
Printing and Publishing	4,186	6,966	11,152	59,210	70,362
Professional Services	6,830	13,240	20,070	39,766	59,836
Projects	-	-	-	14,732	14,732
Property Taxes	-	4,970	4,970	-	4,970
Rent - Equipment	1,252	5,007	6,259	18,777	25,036
Repairs and Maintenance	13,307	19,186	32,493	81,103	113,596
RICE Program	-	-	-	113,690	113,690
Salaries and Related Expenses	140,505	202,542	343,047	2,210,937	2,553,984
Security Services	973	1,403	2,376	5,931	8,307
Telephone	4,316	6,222	10,538	26,302	36,840
Travel	611	1,223	1,834	57,526	59,360
Utilities	3,184	4,590	7,774	19,402	27,176
Vehicles	75	107	182	455	637
Villages, Children, and Schools	-	-	-	3,662,706	3,662,706
Widows Exchange	-	-	-	250,879	250,879
<b>Total Functional Expenses Before Depreciation and Amortization</b>	<b>267,122</b>	<b>428,267</b>	<b>695,389</b>	<b>7,622,915</b>	<b>8,318,304</b>
Depreciation and Amortization	536	184,691	185,227	1,532,940	1,718,167
<b>Total Functional Expenses</b>	<b>\$ 267,658</b>	<b>\$ 612,958</b>	<b>\$ 880,616</b>	<b>\$ 9,155,855</b>	<b>\$ 10,036,471</b>

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

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Donors	\$ 9,422,537	\$ 10,568,877
Cash Received from Investments	15,708	431
Cash Received from Education and Curriculum	57,475	44,310
Cash Used for Exchange Operations	(24,285)	(16,992)
Cash Used for Functional Expenses	(9,553,929)	(8,078,666)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(82,494)</u>	<u>2,517,960</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(300,339)	(1,426,985)
Construction in Progress	(240,053)	(21,865)
Sales and Maturities of Investments	-	288,815
<b>Net Cash Used in Investing Activities</b>	<u>(540,392)</u>	<u>(1,160,035)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(622,886)	1,357,925
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,547,377</u>	<u>3,189,452</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,924,491</u>	<u>\$ 4,547,377</u>
<b>Reconciliation in Increase of Net Assets to Net Cash (Used in) Provided by Operating Activities</b>		
(Decrease) Increase in Net Assets	\$ (1,824,735)	\$ 833,567
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	1,743,701	1,718,167
Realized and Unrealized Loss on Investments	-	770
Changes in Assets and Liabilities Affecting Operations:		
Accounts Receivable and Other Current Assets	10,771	(18,958)
Inventories	(22,998)	(19,464)
Contribution Receivable - Charitable Remainder Unitrust	4,556	(3,856)
Accounts Payable and Accrued Expenses	6,211	7,734
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>\$ (82,494)</u>	<u>\$ 2,517,960</u>
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Construction in Progress Transfers	<u>\$ 459,546</u>	<u>\$ 301,711</u>
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	<u>\$ 663,804</u>	<u>\$ -</u>

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

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 1 - Summary of Significant Accounting Policies**

**Organization and Purpose**

Rafiki is a Swahili word meaning “friend”. Rafiki Foundation, Inc. (the Foundation) is a not-for-profit corporation and was established to befriend the needy in developing countries in Africa spiritually, educationally, and physically. The Foundation established Rafiki Villages in ten African countries and sends qualified individuals to serve in these centers. The Foundation’s goal is to help Africans know God and raise their standard of living with excellence and integrity. This is achieved through six programs: Bible study, Christian classical education, orphan care, outreach, a widows program, and teacher training.

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets without Donor Restrictions**—Net assets that are not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board are reported as net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.
- **Net Assets with Donor Restrictions**—Net assets that are subject to donor-imposed stipulations. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the assets be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

**Cash and Cash Equivalents**

For purposes of the cash flow statements, the Foundation includes cash accounts and highly liquid investments with original maturities of three months or less as cash and cash equivalents. The Foundation provides quarterly funding to its African Villages. There were no deposits in excess of federally insured limits as of December 31, 2022 and 2021, respectively.

**Receivables and Bad Debt**

No allowance for bad debts has been established as of December 31, 2022 and 2021, as it is management’s opinion that no losses will be incurred.

**Inventories**

Inventories consist of primarily products made by widows in Africa for sale in the Exchange shop and online. Inventories are stated at the lower of cost or net realizable value. Provisions, when required, are made to reduce excess and obsolete inventories to net realizable value.

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Property and Equipment**

Depreciation of property and equipment is provided over the estimated useful lives (3 to 40 years) of the respective assets on a straight-line basis. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are valued at cost with the exception of certain contributed furniture, equipment, and vehicles, which are stated at the fair market value at the date the contributions were received.

**Beneficial Interest in Split Interest Agreement**

The Foundation is a beneficiary of the remainder interest in a charitable remainder trust fund, which is held by a third-party as trustee. The Foundation has recorded the contribution and beneficial interest related to this trust fund at fair value, which is estimated as the net present value of the estimated future amount to be received.

**Donated Goods and Services**

A substantial amount of goods and services has been contributed to the Foundation to help carry out its activities. The value of these contributions is not recorded in the accompanying financial statements since it is generally not susceptible to objective measurement or valuation.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**Education and Curriculum**

The Foundation prints and sells education and curriculum material through its online store. Revenues earned are recorded as earned at the time of purchase and are shown on the statement of activities.

**Exchange Operations**

The Foundation purchases handcrafts from its widows program and sells the products in its stores and online to provide support for the widows program. Revenues earned are recorded as earned at the time of purchase and are shown on the statement of activities.

**Shipping and Handling Costs**

The Foundation classifies all freight paid for Exchange shop purchases as cost of sales in the period incurred.

**Exchange Rates**

Foreign operations have been converted to U.S. dollars for purposes of presenting financial statements. Exchange rate gains and losses as a result of conversion to dollars are included in the Foundation's expenses.

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Income Taxes**

The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an organization other than a private foundation under the Internal Revenue Code.

The Foundation's Form 990, Return of Organization Exempt from Income Tax is subject to examination by the Internal Revenue Service, generally for three years after filing.

**Use of Estimates**

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through June 26, 2023, the date on which the financial statements were available to be issued.

**Reclassifications**

Certain items have been reclassified in the 2021 financial statements and footnotes to conform to the 2022 presentation.

**Recently Adopted Accounting Standard**

Effective January 1, 2022, the Foundation adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (ASC 842). The standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of less than 12 months do not result in the recording of an ROU asset and lease liability, and the payments will be recognized into the change in net assets on a straight-line basis over the lease term. See Note 10 for further discussion of the accounting and implementation of ASC 842.

**Note 2 - Conditional Promises to Give**

Rafiki missionaries ask members of their church, families, and others to submit pledge cards with donations they intend to give to support their mission for a period of two years while overseas. These pledges are contingent upon the fact that the missionaries stay with Rafiki for the completion of their term of service, and as such do not meet the criteria for revenue recognition under GAAP and are not reflected as contributions in the statement of activities until pledges are collected.

**Note 3 - Construction in Progress**

Construction in progress as of December 31, 2022 and 2021, are categorized as follows:

	<b>2022</b>	<b>2021</b>
Rafiki Village Ethiopia	\$ -	\$ 219,493
<b>Total</b>	\$ -	\$ 219,493

**RAFIKI FOUNDATION, INC.**  
**EUSTIS, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 4 - Property and Equipment**

Property and equipment as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,038,386	\$ 2,024,886
Buildings and Improvements – Foreign Countries	29,867,486	29,334,707
Buildings and Improvements – Home Office	5,764,746	5,764,746
Furniture and Equipment	1,436,295	1,331,822
Vehicles	<u>395,045</u>	<u>285,912</u>
	39,501,958	38,742,073
Less Accumulated Depreciation	<u>(22,118,575)</u>	<u>(20,375,410)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 17,383,383</u></b>	<b><u>\$ 18,366,663</u></b>

Depreciation expense was \$1,743,165 and \$1,717,631 for the years ended December 31, 2022 and 2021, respectively.

**Note 5 - Trademark**

The Foundation capitalized costs of \$8,042 associated with obtaining a trademark. The trademark is amortized over 15 years. Amortization expense was \$536 for the years ended December 31, 2022 and 2021.

**Note 6 - Charitable Remainder Unitrust**

During 2004, a donor established a trust with a brokerage firm naming the Foundation as a 50% beneficiary of a charitable remainder unitrust. Under terms of the split-interest agreement, the donor will receive 5% of the net fair market value of the assets quarterly until the donor's death. At the time of the donor's death, the trust is to terminate, and the remaining trust assets are to be distributed to the beneficiaries. Based on the donor's life expectancy and a 5% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$82,373 and \$86,929 as of December 31, 2022 and 2021, respectively. Holding gains and losses are recorded as contributions without donor restrictions.

The following table sets forth a summary of changes in the fair value of the split interest agreement, which is a Level 3 asset, for the years ended December 31, 2022 and 2021.

Balance as of December 31, 2020	\$ 83,073
Total Gains (Unrealized and Realized), Net of Fees	<u>3,856</u>
Balance as of December 31, 2021	86,929
Total Losses (Unrealized and Realized), Net of Fees	<u>(4,556)</u>
Balance as of December 31, 2022	<u>\$ 82,373</u>

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**Note 7 - Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and significant to fair value measurement and have the lowest priority. See Note 6 for a summary of the change in value for Level 3 inputs related to the Charitable Remainder Unitrust. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Fair value of investments as of December 31, 2022 and 2021, are as follows:

<b>Fair Values as of December 31, 2022</b>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Charitable Remainder Unitrust	\$ 82,373	\$ -	\$ -	\$ 82,373
<b>Total</b>	<u>\$ 82,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,373</u>
<b>Fair Values as of December 31, 2021</b>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Charitable Remainder Unitrust	\$ 86,929	\$ -	\$ -	\$ 86,929
<b>Total</b>	<u>\$ 86,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,929</u>

**Note 8 - Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors during the years ended December 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Children's Centers/Orphan Fund	\$ 4,134,088	\$ 3,720,559
Curriculum and Teacher's Training	73,853	38,623
10 <sup>th</sup> Presbyterian	21,640	11,120
Mini-Missions	165,642	50,544
Outreach (Missionaries)	2,031,417	1,503,841
Home Office Construction	5,295	666,110
Village Construction	488,489	737,097
<b>Total</b>	<u>\$ 6,920,424</u>	<u>\$ 6,727,894</u>

**Note 9 - Net Assets**

Net assets consist of the following for the years ended December 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions:		
Net Investment in Land, Property, and Equipment	\$ 17,383,385	\$ 18,586,156
Charitable Remainder Unitrust	82,373	86,929
Undesignated, Unrestricted Net Assets	2,100,001	1,904,893
<b>Total Net Assets Without Donor Restrictions</b>	<u>19,565,759</u>	<u>20,577,978</u>

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	<b>2022</b>	<b>2021</b>
Net Assets with Donor Restrictions:		
Construction	\$ 363,430	\$ 848,819
Mini-Missions	93,113	111,534
Outreach (Missionaries)	1,285,188	1,289,352
Discretionary	80,000	80,000
Orphans, Schools, Village Maintenance	-	247,365
Rosemary Jensen Bible Foundation	218,138	225,057
Other	8,614	58,872
Total Net Assets With Donor Restrictions	2,048,483	2,860,999
<b>Total Net Assets</b>	<b>\$ 21,614,242</b>	<b>\$ 23,438,977</b>

**Note 10 - Operating Leases**

Effective January 1, 2022, the Foundation adopted the new standard, ASC 842, *Leases*, and elected the modified retrospective transition method that allows the Foundation to initially apply the lease standard to all leases existing at the adoption date and not restate comparative periods. As a result, the Foundation's reporting for leases in the comparative period presented in the financial statements is in accordance with prior guidance under ASC 840.

The Foundation leases copying machines, a folding machine, a weighing platform, printers, and a printing press. The Foundation assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Foundation generally accounts for non-lease components, such as maintenance, separately from lease components. Certain leases may include one or more options to renew the term of the lease. Only lease options that the Foundation believes are reasonably certain to be exercised are included in the measurement of ROU assets and lease liabilities.

The Foundation elected to adopt the package of practical expedients available under the transition guidance of ASC 842. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the date of adoption, relief from having to reevaluate the classification of leases in effect at the date of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the least contract. The Foundation also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets. Adoption of ASC 842 did not impact the Foundation's net income or cash flows.

The adoption of ASC 842 resulted in the recognition of ROU assets and corresponding operating lease liabilities totaling \$663,804 on the statement of financial position as of January 1, 2022, related to a folding machine and printing presses, which were classified as operating leases under the previous ASC 840 guidance. The lease agreements did not contain any residual value guarantees or material restrictive covenants. The Foundation calculated the initial operating lease liability amounts upon implementation of ASC 842 using an incremental borrowing rate of 7.50% for all operating leases. This rate was the Prime rate in effect as of December 31, 2022, and will not change unless the underlying operating lease agreements are amended. The weighted average remaining lease term for the operating leases was 50 months at December 31, 2022.



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The ROU asset and lease liabilities as of December 31, 2022, are as follows:

<u>Leases</u>	<u>Classification</u>	<u>December 31, 2022</u>
<b>Assets</b>		
Operating Lease Assets	Operating Lease ROU Assets	\$ 580,215
<b>Total Lease Assets</b>		<u>\$ 580,215</u>
<b>Current Liabilities</b>		
Operating Lease Liabilities	Operating Lease Liabilities	\$ 124,945
<b>Total Current Lease Liabilities</b>		<u>\$ 124,945</u>
<b>Long-Term Liabilities</b>		
Operating Lease Liabilities	Operating Lease Liabilities	\$ 455,270
<b>Total Long-Term Lease Liabilities</b>		<u>\$ 455,270</u>

Future maturities of the lease liabilities as of December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 164,224
2024	164,224
2025	160,038
2026	147,480
2027	41,700
Thereafter	-
Total Lease Payments	677,666
Less: Imputed Interest	(97,451)
<b>Total Lease Liabilities</b>	<u>\$ 580,215</u>

In addition to the folding machine and printing presses, the Foundation leases equipment that did not fall under the ASC 842 guidance. The Foundation recognizes the lease expense on a straight-line basis.

Rental expenses for these leases were \$331,705 and \$253,068 for the years ended December 31, 2022 and 2021, respectively. Amounts related to rentals are allocated to Education, Printing and Publishing, and Rent - Equipment on the Statement of Functional Expenses.

The Foundation recognized \$118,024 in amortization expense related to the ROU assets for the year ended December 31, 2022.

**Note 11 - Volunteer Services**

The impact of volunteer services performed at overseas locations cannot be adequately determined; however, the hours of volunteer services received at headquarters in Eustis, Florida have been determined. In the years ended December 31, 2022 and 2021, approximately 3,534 and 2,401 hours, respectively, were donated in services performed by approximately 92 and 90 volunteers, respectively. These hours do not meet accounting guidelines for valuation and, therefore, have not been recorded on these financial statements.

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**Note 12 - Related-Party Contributions**

Board members and senior staff make voluntary contributions to the Foundation. Total contributions from these related parties were \$99,178 and \$124,530 for the years ended December 31, 2022 and 2021, respectively.

**Note 13 - Concentration Risk**

The Foundation had one donor that accounted for approximately 11% of total contributions for the year ended December 31, 2022. The Foundation had two donors that accounted for approximately 20% of total contributions for the year ended December 31, 2021. Contributions received from these donors totaled \$1,000,000 and \$2,005,000 for the years ended December 31, 2022 and 2021, respectively.

**Note 14 - Retirement Plan**

The Rafiki Foundation, Inc. 401(k) plan is a contributory plan covering substantially all employees and was adopted by the Foundation as of January 1, 2011. Employees are eligible to participate in the plan on the date of hire. The Foundation may make profit sharing contributions during the plan year. Employees who have completed 1,000 hours of service are eligible for the profit-sharing contribution. No profit-sharing contributions were made for the years ended December 31, 2022 and 2021. Total expense was approximately \$600 for the years ended December 31, 2022 and 2021 respectively.

**Note 15 - Liquidity**

The following reflects the Foundation's financial assets as of December 31, 2022 and 2021 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Financial Assets at Year-End</b>	\$ 4,021,351	\$ 4,741,937
Less those Unavailable for General Expenditures within One Year, Due to Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose Restrictions	2,048,483	2,860,999
Charitable Remainder Unitrust Due in More than One Year	<u>82,373</u>	<u>86,929</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 1,890,495</u>	<u>\$ 1,794,009</u>

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