The JOSHUA FUND

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

CAPINCROUSE LLP

THE JOSHUA FUND

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Joshua Fund
McLean, Virginia

We have audited the accompanying consolidated financial statements of The Joshua Fund (TJF) and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TJF's preparation and fair presentation of the consolidated 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 TJF'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.

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Board of Directors
The Joshua Fund
McLean, Virginia

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Joshua Fund and its subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
April 13, 2018

THE JOSHUA FUND

Consolidated Statements of Financial Position

	December 31, 2017	December 31, 2016
ASSETS:		
Cash and cash equivalents	$ 3,503,248	$ 3,691,915
Certificates of deposit	1,538,371	1,526,141
Inventory	321,505	303,329
Prepaid expenses and other assets	47,344	44,898
Property and equipment–net	118,008	135,578
Total Assets	$ 5,528,476	$ 5,701,861
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 73,749	$ 315,853
Net assets:		
Unrestricted:		
Operating	3,821,230	3,641,242
Board designated	1,500,000	1,500,000
Equity in property and equipment	118,008	135,578
	5,439,238	5,276,820
Temporarily restricted	15,489	109,188
	5,454,727	5,386,008
Total Liabilities and Net Assets	$ 5,528,476	$ 5,701,861

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
Support and Revenue:						
Contributions	$ 5,763,627	$ 396,631	$ 6,160,258	$ 5,846,028	$ 607,779	$ 6,453,807
Interest and other income	36,223	-	36,223	17,483	-	17,483
Total Support and Revenue	5,799,850	396,631	6,196,481	5,863,511	607,779	6,471,290
Net Assets Released:						
Purpose restrictions	490,330	(490,330)	-	603,600	(603,600)	-
Expenses:						
Program services	4,983,705	-	4,983,705	6,333,656	-	6,333,656
Supporting activities:						
General and administrative	1,139,820	-	1,139,820	1,124,570	-	1,124,570
Fund-raising	43,314	-	43,314	49,186	-	49,186
Total Expenses	6,166,839	-	6,166,839	7,507,412	-	7,507,412
Change in Net Assets From Operation	123,341	(93,699)	29,642	(1,040,301)	4,179	(1,036,122)
NON-OPERATING:						
Gain (loss) on exchange rate	39,077	-	39,077	(7,187)	-	(7,187)
Change in Net Assets	162,418	(93,699)	68,719	(1,047,488)	4,179	(1,043,309)
Net Assets, Beginning of Year	5,276,820	109,188	5,386,008	6,324,308	105,009	6,429,317
Net Assets, End of Year	$ 5,439,238	$ 15,489	$ 5,454,727	$ 5,276,820	$ 109,188	$ 5,386,008

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Cash Flows

	Year Ended December 31, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 68,719	$ (1,043,309)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,632	50,967
Interest income on certificates of deposit	53,770	(30,767)
Loss on property and equipment	-	707
Changes in operating assets and liabilities:		
Inventory	(18,176)	89,935
Prepaid expenses and other assets	(2,446)	(5,540)
Accounts payable and accrued expenses	(242,104)	85,910
Net Cash Used by Operating Activities	(95,605)	(852,097)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of certificates of deposit	1,473,000	1,494,000
Purchases of certificates of deposit	(1,539,000)	(1,473,000)
Purchases of property and equipment	(27,062)	(31,487)
Net Cash Used by Investing Activities	(93,062)	(10,487)
Net Change in Cash and Cash Equivalents	(188,667)	(862,584)
Cash and Cash Equivalents, Beginning of Year	3,691,915	4,554,499
Cash and Cash Equivalents, End of Year	$ 3,503,248	$ 3,691,915

See notes to consolidated financial statements

THE JOSHUA FUND

Statement of Functional Expenses

Year Ended December 31, 2017

		Supporting Activities			
	Program Services	General and Administrative	Fund-raising	Supporting Activities Total	Total Expenses
Grants and contracts	$ 3,410,477	$ -	$ -	$ -	$ 3,410,477
Salaries and benefits	646,479	611,526	12,500	624,026	1,270,505
Travel and hospitality	457,414	19,589	-	19,589	477,003
Professional services	128,155	281,964	8,675	290,639	418,794
Equipment and facilities	147,213	6,729	-	6,729	153,942
Communications	68,519	16,284	17,046	33,330	101,849
Fees and insurance	12,149	79,616	-	79,616	91,765
Organizational expenses	-	62,951	-	62,951	62,951
Information technology	19,937	39,989	12	40,001	59,938
Office expenses	40,486	7,684	596	8,280	48,766
Depreciation and amortization	32,029	12,604	-	12,604	44,633
Other operating expenses	20,847	884	4,485	5,369	26,216
Total Expenses	$ 4,983,705	$ 1,139,820	$ 43,314	$ 1,183,134	$ 6,166,839
Percent of Total Expenses	81%	18%	1%	19%	100%

See notes to consolidated financial statements

THE JOSHUA FUND

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services	Supporting Activities: General and Administrative	Supporting Activities: Fund-raising	Supporting Activities: Supporting Activities Total	Total Expenses
Grants and contracts	$ 4,845,087	$ -	$ -	$ -	$ 4,845,087
Salaries and benefits	602,332	571,878	15,000	586,878	1,189,210
Travel and hospitality	416,200	23,301	-	23,301	439,501
Professional services	92,351	283,589	5,959	289,548	381,899
Equipment and facilities	145,902	2,907	-	2,907	148,809
Communications	88,096	18,986	26,001	44,987	133,083
Fees and insurance	9,935	79,079	-	79,079	89,014
Organizational expenses	90	71,691	-	71,691	71,781
Information technology	18,557	47,671	-	47,671	66,228
Office expenses	49,780	9,091	60	9,151	58,931
Depreciation and amortization	34,744	16,223	-	16,223	50,967
Other operating expenses	30,582	154	2,166	2,320	32,902
Total Expenses	$ 6,333,656	$ 1,124,570	$ 49,186	$ 1,173,756	$ 7,507,412
Percent of Total Expenses	84%	15%	1%	16%	100%

See notes to consolidated financial statements

THE JOSHUA FUND

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

The Joshua Fund (TJF) is a nonprofit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and comparable state laws. However, TJF is subject to federal income tax on any unrelated business taxable income. In addition, TJF is not classified as a private foundation within the meaning of Section 509(a) of the IRC. TJF was founded in 2006 to bless Israel and her neighbors in the name of Jesus, according to Genesis 12:1-3. Blessing Israel and the nations of the Middle East means praying for the peace of Jerusalem, bringing good news to the afflicted, caring for the poor, and being a light to the nations of the Middle East. TJF relies primarily on contributions to operate and conduct its programs and activities.

TJF established The Joshua Fund (R.A.) (TJFRA) in Israel in 2008. TJFRA is registered as a non-profit association under Israeli laws. TJFRA's goals in general are to promote social justice by establishing and managing a fund for humanitarian assistance to the needy in Israel regardless of religion, race or gender, and also by initiating and managing social and humanitarian projects in the State of Israel.

During the year ended December 31, 2013, TJF established a limited liability corporation (LLC) incorporated in the State of Delaware, established in order to further TJF’s missions to the Middle East.

The financial resources of TJFRA and the LLC noted above are consolidated in these financial statements because TJF is the sole member or they are controlled and economically dependent upon TJF.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TJF maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial resources and activities of TJF, TJFRA, and the LLC. All material transactions and balances between TJF, TJFRA, and the LLC have been eliminated in the consolidation. TJF, TJFRA, and the LLC will collectively be referred to as TJF.

2. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

FOREIGN OPERATIONS

Management has reviewed the assets in other countries and, in its opinion, determined they are under the control and ownership of the ministry and meet the requirements for consolidation as set forth by the Not-for-Profit-Entities Topic of the FASB ASC. While such items are recognized as assets of the ministry, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while the ministry believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood the carrying value of the assets in other countries may not be representative of the amount that could be realized should the assets be sold. The account balances relating to foreign operations are reflected in the consolidated financial statements in U.S. dollars.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. The balances exceeded federally insured limits by approximately $2,634,000 and $2,740,000 as of December 31, 2017 and 2016, respectively. TJF has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

CERTIFICATES OF DEPOSIT

Certificates of deposit consist of certificates of deposit with an original maturity term of more than three months and are carried at cost.

INVENTORY

Inventory is stated using the first-in-first-out method at lower of cost or net realizable value. No obsolescence is recorded because the inventory items that are obsolete are not included in the inventory valuation.

PROPERTY AND EQUIPMENT

TJF capitalizes property and equipment purchases exceeding $3,000 and expenses lesser amounts in the year purchased. Property and equipment are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of three to ten years.

CLASSES OF NET ASSETS

The net assets of TJF are reported in the following classes:

Unrestricted net assets are currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets include resources restricted by donors primarily for use with certain projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. Contributions of goods, services, and other assets are recorded at the fair market value at the time of the gift. Contributed services of $62,500 and $50,000 are included in contributions in the consolidated statements of activities for the years ended December 31, 2017 and 2016, respectively. TJF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In July 2015, the Financial Accounting Standards Board (FASB) issued guidance that replaces the existing accounting standards for inventory measurement in Accounting Standards Update (ASU) 2015-11, Simplifying the Subsequent Measurement of Inventory. The guidance is effective for fiscal years beginning after December 15, 2016, and requires inventory to be measured at the lesser of cost or net realizable value. TJF adopted the provisions of this guidance in the year ended December 31, 2017.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31, 2017	December 31, 2016
Vehicles	$ 255,949	$ 255,949
Furniture, fixtures, and equipment	111,038	111,038
Software	195,379	124,770
Website development	37,190	37,190
Leasehold improvements	8,887	8,887
	608,443	537,834
Less: Accumulated depreciation and amortization	(490,435)	(445,802)
	118,008	92,032
Work in process	-	43,546
	$ 118,008	$ 135,578

4. BOARD DESIGNATED:

TJF has board designated net assets of $1,500,000 for both of the years ended December 31, 2017 and 2016. This consists of board designated funds of $1,000,000 for operating reserves and $500,000 for cash reserves for both years.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following as of:

	December 31, 2017	December 31, 2016
Humanitarian projects	$ 15,289	$ 23,900
Israeli relief projects	200	29,577
War preparation	-	55,211
Other projects	-	500
	$ 15,489	$ 109,188

6. FOREIGN OPERATIONS:

In connection with TJFRA and its ministry in Israel and neighboring countries, TJF has certain supporting facilities outside the United States of America. Assets in other countries consist of:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 281,136	$ 442,798
Inventory	321,505	303,329
Prepaid expenses and other assets	14,914	14,764
Property and equipment–net	42,342	65,223
Accounts payable and accrued expenses	(37,794)	(56,284)
	$ 622,103	$ 769,830

7. COMMITMENTS:

TJF has accounting service agreements and also leases office and warehouse space through various cancellable and noncancellable operating leases. Service agreement and rent expense, for both cancellable and noncancellable commitments, for the years ended December 31, 2017 and 2016, was $378,208 and $319,058, respectively. Future minimum payments for the year ended December 31, 2018 total $185,471.

8. RETIREMENT PLAN:

TJF sponsors a 401(k) defined contribution plan for all employees who are over the age of 21 and have worked at TJF for at least a year. TJF provides a direct match up to 3% of employee contributions and 1/2 match of employee contributions between 3% and 5%. Total contributions were $24,121 and $22,767 for the years ended December 31, 2017 and 2016, respectively.

9. OPERATING AND NON-OPERATING ACTIVITIES:

The activity of TJF has been reported in the consolidated statements of activities in the following two categories: operating and non-operating. Operating includes the core activities of the organization. Non-operating includes all other activities that are not recurring and normally carried on in the course of TJF's operations, consisting of the gains and losses related to foreign translation differences during the years ended December 31, 2017 and 2016.

10. RELATED PARTY:

During the years ended December 31, 2017 and 2016, a relative of the executive director received $52,000 and $25,000, respectively, as payment for services rendered for TJF. This individual was also a member of the board of directors during part of the year ended December 31, 2016.

During the years ended December 31, 2017 and 2016, a company owned by a relative of the director of administration received $30,395 and $8,194, respectively, as payment for services rendered for TJF.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 13, 2018, which is the date the financial statements were available to be issued.