

HARVESTERS INTERNATIONAL MINISTRIES, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

December 31, 2018

HARVESTERS INTERNATIONAL MINISTRIES, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Harvesters International Ministries, Inc.

We have reviewed the accompanying financial statements of Harvesters International Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lighthouse Tax and Consulting, LLC

Hilton Head Island, South Carolina

February 15, 2019

HARVESTERS INTERNATIONAL MINISTRIES, INC.
Statement of Financial Position
December 31, 2018

ASSETS

| | |
|--------------------------------|-------------------------|
| Current assets | |
| Cash and cash equivalents | \$859,547 |
| Prepaid expenses | 2,120 |
| Total current assets | <u>861,667</u> |
| Fixed assets | |
| Equipment | 8,667 |
| Less: accumulated depreciation | <u>(6,796)</u> |
| Total fixed assets | <u>1,871</u> |
| Total assets | <u><u>\$863,538</u></u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|-------------------------|
| Current liabilities | |
| Accounts payable | <u>\$15,134</u> |
| Total current liabilities | 15,134 |
| Net assets | |
| Without donor restrictions | 126,613 |
| With donor restrictions | <u>721,791</u> |
| Total net assets | <u>848,404</u> |
| Total liabilities and net assets | <u><u>\$863,538</u></u> |

See accompanying notes and independent accountant's review report.

HARVESTERS INTERNATIONAL MINISTRIES, INC.
Statement of Activities
For The Year Ended December 31, 2018

Net assets without donor restrictions

| | | |
|---|--|------------------|
| Unrestricted revenues and earnings | | |
| Contributions | | \$141,617 |
| Net assets released from restrictions - satisfied by payments | | <u>2,455,062</u> |
| Total unrestricted revenues, earnings, and other support | | <u>2,596,679</u> |

Expenses

| | | |
|--|---------------|------------------|
| Programs services | | |
| African and Asian ministries | 2,053,134 | |
| Support services | | |
| Management and general | 178,180 | |
| Fundraising | <u>24,341</u> | <u>2,255,655</u> |
| Increase (decrease) in net assets without donor restrictions | | 341,024 |

Net assets with donor restrictions

| | | |
|---|------------------|-------------------------|
| Contributions | 2,456,956 | |
| Less: net assets released from restrictions - satisfied by payments | <u>2,455,062</u> | <u>1,894</u> |
| Increase (decrease) in net assets | | <u>342,918</u> |
| Net assets at beginning of year | | <u>505,486</u> |
| Net assets at end of year | | <u><u>\$848,404</u></u> |

See accompanying notes and independent accountant's review report.

HARVESTERS INTERNATIONAL MINISTRIES, INC.Statement of Functional Expenses
For The Year Ended December 31, 2018

| | Program Services | Supporting Activities | | |
|--|-------------------------------|---------------------------|-------------|-------------|
| | African and Asian Services | Management and General | Fundraising | Total |
| Salaries and reimbursements - see note 2 | | | | |
| Director | | \$53,400 | | \$53,400 |
| Others | | 74,300 | | 74,300 |
| Newsletters, donor relations, and promotions | | | \$11,448 | 11,448 |
| Other management and general expenses | | 9,763 | | 9,763 |
| Grant to other organizations | \$1,863,578 | | | 1,863,578 |
| Mission trips | 185,808 | | | 185,808 |
| Travel expenses | 0 | 2,386 | 12,893 | 15,279 |
| Non-personnel expenses | 3,748 | 38,331 | | 42,079 |
| Total functional expenses | \$2,053,134 | \$178,180 | \$24,341 | \$2,255,655 |

See accompanying notes and independent accountant's review report.

HARVESTERS INTERNATIONAL MINISTRIES, INC.

Statement of Cash Flows

For The Year Ended December 31, 2018

| | | |
|---|---------|-------------------------|
| <u>Cash flows from operating activities</u> | | |
| Increase (decrease) in net assets | | \$342,918 |
| Adjustments to reconcile net assets to net cash provided by operating activities: | | |
| Decrease in accounts receivable | 229 | |
| Depreciation expense | 338 | |
| Increase in accounts payable | 4,724 | 5,291 |
| Net cash provided by (used in) operating activities | | <u>348,209</u> |
| <u>Cash flows from investing activities</u> | | |
| Purchase of equipment | (1,573) | |
| Net cash provided (used) by investing activities | | <u>(1,573)</u> |
| <u>Cash flows from financing activities</u> | | |
| Net cash provided by financing activities | | <u>0</u> |
| Net increase (decrease) in cash and cash equivalents | | 346,636 |
| Cash and cash equivalents, beginning of the period | | <u>512,911</u> |
| Cash and cash equivalents, end of the period | | <u><u>\$859,547</u></u> |

See accompanying notes and independent accountant's review report.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 – Nature of activities and significant accounting policies:Nature of activities

The purpose of Harvesters International Ministries, Inc. (the “Ministry”) is to participate in the Great Commission by encouraging and assisting national missionary initiative. Geographically, the Ministry has focused its resources in the continent of Africa and Asia with partners in D.R. Congo, India, Kenya, Myanmar, Pakistan, China, Russia, Rwanda, South Sudan and Uganda.

The Ministry was formally established as Harvesters Evangelistic Association as an IRS Section 501 (c) (3) charitable organization in 1966. In July 2009, the Ministry received approval from the IRS for a new South Carolina 501(c) (3) organization in the name of Harvesters International Ministries, Inc. The new charter was approved retroactive to March 18, 2008.

Services provided by the Ministry in Africa and Asia include:

- (1) Evangelism and church planting
- (2) Training, conferences, and leadership development
- (3) Orphan care and education
- (4) Water well drilling
- (5) Women’s empowerment
- (6) Medical outreach

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Account receivable

Accounts receivables are recorded net of an allowance for uncollectible accounts. The Ministry believes that all accounts receivable are collectible and that no allowance for doubtful accounts is required as of December 31, 2018.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 – Nature of activities and significant accounting policies (continued)Reporting entity

The Ministry is governed by a board of directors which currently consists of eleven directors. The Ministry has financial accountability and control over the activities related to the organization's purposes. The Ministry and its directors are independent of any other organization.

Support and revenue (contributions)

The Ministry receives funding from churches, foundations, and individuals throughout the United States. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the financial statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Management's review of subsequent events

Management has evaluated subsequent events through February 15, 2019, the date on which the financial statements were available to be issued.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 – Nature of activities and significant accounting policies (continued)Estimates

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

Property and equipment

The Ministry capitalizes property and equipment used in the administration of the ministry. Purchased property and equipment are capitalized at cost. As of the date of these financial statements, the Ministry has not recognized as an asset any property or equipment received as a donation. Property and equipment are depreciated using an accelerated method.

Income taxes

The Ministry is formally established as Harvesters International Ministries, Inc. and is recognized by the Internal Revenue Service as an IRC Section 501(c) (3) tax exempt organization. Therefore, the Ministry has made no provision for federal income taxes in the accompanying financial statements. In addition, there was no unrelated business income for the year ended December 31, 2018.

Cash and cash equivalents

For purposes of the statement of cash flows, the Ministry considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Ministry maintains its cash in bank deposits accounts that occasionally exceed the Federal Depository Insurance Corporation (FDIC) limits of \$250,000. As of December 31, 2018, the Ministry accounts were not within FDIC limits.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 2 – Designated contributions received

Contributions received are generally designated for a specific ministry purpose within Harvesters International Ministries. Such funding is generally expended soon after the receipt of the funding on the designated ministry purpose. In addition, all travel costs of teams from the United States involved in short-term ministry in Africa and Asia are paid from contributions designated for such teams.

Note 3 – Construction projects

In addition to other outreach efforts, the Ministry contributes to various construction projects within African and Asian communities that it sponsors. During 2018, these projects included:

- Installation of 15 wells in Kenya and 1 in Uganda
- Completion of 8 primary school classrooms in Kenya
- Completion of church in South Sudan
- Construction of dining hall and kitchen for Orphanage in the DRC
- Roof installed on elementary classroom wing in Uganda
- Installed new roof on church in Rwanda
- Constructed new home for a widow and family in Uganda
- Constructed new church in Rwanda
- Installed toilets and other updates in Rwanda
- Completed new classroom construction in India
- Installed water storage tank for village in DRC

As the construction projects are owned by the local African and Asian communities, the Ministry does not have any ownership interest in the projects. Therefore, the costs are included in program services expenses.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 4 – Fundraising services

The Ministry does not use the services of any professional fundraising organization. Periodically, the organization board members, its staff, and friends of the Ministry present the needs of the Ministry to its supporters. However, no salaries are allocated to the fundraising category. The expenses related to fundraising in the accompanying financial statements include the expenses for printed materials, including newsletters and the related costs of postage, and the expenses of donor relations.

Note 5 – Availability of financial assets

The Ministry is primarily funded by contributions by donors that contain restrictions. Those restrictions may require that resources be used in a certain manner or in a future period. Therefore, the Ministry must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditures within one year. As of balance sheet date, the Ministry has \$859,547 of financial assets available within one year of balance sheet date to meet cash needs for general expenditure. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

Note 6 – Methods used for allocation of expenses among program and supporting services

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Ministry. Those expenses include wire transfer fees incurred to transfer partner grants to partner organizations.

Harvesters International Ministries, Inc.

Notes to Financial Statements

December 31, 2018

Note 7 – Adoption of ASU 2016-14, presentation of financial statements of not-for-profits entities

This year, the Ministry adopted new FASB guidelines related to the presentation of financial statements. The effect of this adoption is that total net assets remained the same. However, the classification of net assets changed. Prior to the adoption, the Ministry had three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. After the adoption, the Ministry had two classes of net assets: without donor restriction and with donor restrictions. Without donor restrictions is what was formerly known as unrestricted net assets. With donor restrictions is made up of the classes formerly known as temporarily restricted net assets and permanently restricted net assets.