

Proclaiming Justice to the Nations, Inc.

Financial Statements
For the Year Ended December 31, 2020

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Independent Auditor's Report

Board of Directors
Proclaiming Justice to the Nations, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Proclaiming Justice to the Nations, Inc. (the Organization), which comprise the statement of certain assets and liabilities as of December 31, 2020, the related statements of revenues collected and expenses - modified cash basis and functional expenses - modified cash basis for the year 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 financial statements in accordance with the modified cash basis of accounting described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements referred to above present fairly, in all material respects, the certain assets and liabilities of Proclaiming Justice to the Nations, Inc. as of December 31, 2020, and its revenues collected and expenses during the year then ended in accordance with the modified cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 19, 2021

Proclaiming Justice to the Nations, Inc.
Statement of Certain Assets and Liabilities
December 31, 2020

Assets Recognized

| | |
|---------------------------------|------------------|
| Cash | \$ 58,899 |
| Property and equipment, at cost | |
| Contributed antiques | 6,000 |
| Website | 5,025 |
| Furniture and equipment | 19,267 |
| Less accumulated depreciation | <u>(24,177)</u> |
| Total assets recognized | \$ 65,014 |

Liabilities Recognized

| | |
|---|--------------------|
| Credit cards payable | \$ 19,535 |
| Payroll liabilities | 7,818 |
| PPP loan | 56,391 |
| Note payable | <u>67,534</u> |
| Total liabilities recognized | <u>151,278</u> |
| Excess of liabilities recognized over assets recognized | \$ (86,264) |

Proclaiming Justice to the Nations, Inc.
Statement of Revenues Collected and Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

Revenues Collected

| | |
|--------------------------|------------------|
| Contribution revenue | \$ 1,345,984 |
| Other revenue | 14,067 |
| Total revenues collected | <u>1,360,051</u> |

Expenses Paid and Selected Accruals

| | |
|---|------------------|
| Program services | 922,338 |
| Management and general | 223,092 |
| Fundraising | 137,532 |
| Total expenses paid and selected accruals | <u>1,282,962</u> |

Excess of revenues collected over expenses paid and selected accruals **\$ 77,089**

Proclaiming Justice to the Nations, Inc.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

| | Program services | Management and general | Fundraising | Total |
|--------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 213,632 | \$ 65,176 | \$ 83,280 | \$ 362,088 |
| Payroll taxes | 15,601 | 4,760 | 6,082 | 26,443 |
| Advertising | 187,261 | - | - | 187,261 |
| Conventions and meetings | 31,966 | - | - | 31,966 |
| Education and advocacy | 110,540 | 1,288 | 240 | 112,068 |
| Fees | 10,315 | 7,764 | 11,217 | 29,296 |
| Grants | 40,110 | - | - | 40,110 |
| Insurance | - | 48,777 | - | 48,777 |
| Legal | - | 20,767 | - | 20,767 |
| Meals and entertainment | 2,503 | 74 | 497 | 3,074 |
| Occupancy | 21,526 | 6,567 | 8,391 | 36,484 |
| Office expense | 3,741 | 15,532 | 6,053 | 25,326 |
| Outside services | 238,796 | - | 996 | 239,792 |
| Other | 11,678 | 3,646 | 7,681 | 23,005 |
| Penalties | - | 574 | - | 574 |
| Postage and shipping | 1,300 | 173 | 5,125 | 6,598 |
| Printing and copying | 447 | - | 786 | 1,233 |
| Professional | - | 41,705 | - | 41,705 |
| Travel | 24,688 | 3,777 | 3,974 | 32,439 |
| Telephone | 8,234 | 2,512 | 3,210 | 13,956 |
| | <u>\$ 922,338</u> | <u>\$ 223,092</u> | <u>\$ 137,532</u> | <u>\$ 1,282,962</u> |

Proclaiming Justice to the Nations, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Proclaiming Justice to the Nations, Inc. (the Organization) is a Tennessee not-for-profit corporation whose mission is to educate, advocate, and move to activate Christians and Jews and people of good conscience in building a global community of action and prayer in support of the Jewish people and the State of Israel. The Organization is supported primarily through donor contributions and grants.

Basis of Accounting

The Organization's policy is to prepare its financial statements on a modified cash basis that includes recording of depreciation and amortization on long-lived assets, payroll withholdings and accruals of payroll taxes, credit cards payable, and debt. Under this basis, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable, and accrued expenses, other than those mentioned above, are not included in the financial statements.

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues collected and expenses paid during the reporting period. Actual results could vary from the estimates that were used.

Cash

Cash consists of cash on hand and on deposit at financial institutions.

Property and Equipment and Depreciation

The Organization capitalizes expenditures for those items reasonably expected to last beyond the current year and above \$2,500. Contributed property and equipment is recorded at estimated fair value at the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the related assets. Routine repairs and maintenance are expensed when paid.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion, thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Proclaiming Justice to the Nations, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 1. Summary of Significant Accounting Policies

Advertising

All advertising costs are expensed when paid.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

Includes the direct cost of operating the Organization and all of the related programs.

Management and General

Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general recordkeeping, budgeting, and related purposes.

Fundraising

Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of revenues collected and expenses - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include occupancy, payroll taxes, salaries and wages, and telephone, which are allocated on the basis of estimates of time and effort.

Note 2. Availability and Liquidity

At December 31, 2020, the Organization's financial assets available to meet cash needs for general expenditures within one year consist of cash in the amount of \$58,899.

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

Proclaiming Justice to the Nations, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 3. PPP Loan

On April 27, 2020, the Organization received a loan in the amount of \$56,391 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended 100% on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on April 27, 2022. As long as the Organization submits its loan forgiveness application within 10 months of the end of its covered period, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the US Small Business Administration. If the loan is fully forgiven, the Organization will not be responsible for any payments.

The Organization has elected to treat the PPP loan as debt and presented it as its own line item on the financial statements. The Organization has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial.

Subsequent to year end the Organization received notice that the PPP loan was fully forgiven.

Note 4. Note Payable

The Organization has a note payable to an individual that was originated in February 2019. The note bears interest at a fixed rate of 6.0%. In June 2020, the note was modified and now matures in June 2025. The payment terms on the note were also modified and are due in monthly installments of \$5,000 beginning July 2020. If all payments are made timely the lender has agreed to waive all further interest from the date of the modification. As of December 31, 2020, the balance of the note payable was \$67,534.

Note 5. Concentrations

In 2020, three donors accounted for approximately 41% of contribution revenue.

Note 6. Related Party Transactions

The Organization rents office space from its founder. Total rent expense associated with this related party for the year ended December 31, 2020, was \$36,484.

Note 7. Subsequent Events

Management has evaluated subsequent events through October 19, 2021, the date on which the financial statements were available for issuance.