

Adventist Development and Relief Agency International

Report of Independent Auditors on
Financial Statements
For the Years Ended December 31, 2020 and 2019

Adventist Development and Relief Agency International
Index
December 31, 2020

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adventist Development and Relief Agency International

Report on the Financial Statements

We have audited the accompanying financial statements of Adventist Development and Relief Agency International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related December 31, 2020 statements of activities, functional expenses, and the December 31, 2020 and 2019 cash flows 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial position of Adventist Development and Relief Agency International as of December 31, 2020, 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.

Report on summarized comparative information

We have previously audited Adventist Development and Relief Agency International's December 31, 2019 statement statements, and we expressed an unmodified opinion on those financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented in the statements of activities and functional expenses for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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March 28, 2022

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2020 and December 31, 2019

ASSETS		
	2020	2019
Cash and cash equivalents	\$ 26,453,859	\$ 10,513,583
Investments	40,652,021	46,467,739
Net amount due from affiliates	8,343,314	7,452,488
Loans to affiliates	71,087	53,278
Amount due from government agency, net of allowance	3,630,768	2,791,368
Other receivables	516,254	298,498
Loans to other	-	5,429
Contributions receivable, net of allowances	477,414	360,419
Inventories	220,987	199,701
Prepaid expenses	164,284	275,052
Furniture and equipment, net of accumulated depreciation	463,413	544,716
Agency funds	1,298,386	1,066,407
Contributions receivable - long-term, net of allowances	1,907,802	1,490,826
Loans to affiliates - long term	384,508	419,950
 Total assets	 \$ 84,584,097	 \$ 71,939,454
LIABILITIES		
Accounts payable	\$ 859,605	\$ 905,281
Accrued expenses	5,563,021	5,682,102
Amount due to affiliates	1,090,787	1,286,391
Amount due to government agency	14,414,162	5,118,638
Loan from others	1,977,700	-
Amount due to other	4,732,078	2,744,045
Agency funds	1,298,386	1,066,407
 Total liabilities	 29,935,739	 16,802,864
NET ASSETS		
Without donor restrictions		
Undesignated	30,528,431	31,519,162
Designated by the Board <i>(Note 19)</i>	5,347,151	3,572,009
Total net assets without donor restrictions	35,875,582	35,091,171
With donor restrictions		
Restricted to purpose	16,395,060	18,209,173
Restricted to time	2,377,716	1,836,246
Total net assets with donor restrictions	18,772,776	20,045,419
 Total net assets	 54,648,358	 55,136,590
 Total liabilities and net assets	 \$ 84,584,097	 \$ 71,939,454

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENT OF ACTIVITIES
for the year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020		2019	
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 545,474	\$ -	\$ 545,474	\$ -
Ocean and inland freight	151,932	-	151,932	-
Grants - direct	78,419,686	-	78,419,686	52,365,884
Grants - sub-awards	3,643,309	-	3,643,309	4,193,038
Public support:				
Seventh-day Adventist Church	5,255,574	-	5,255,574	5,741,348
Contributions	15,583,002	5,604,391	21,187,393	17,867,766
Donated materials	63,595	8,365,973	8,429,568	4,903,251
Grants - other	4,711,623	1,450,000	6,161,623	2,165,579
Freight and handling fees reimbursement	-	-	-	1,253
Investment, net	588,127	174,803	762,930	1,242,615
Other revenue	215,313	82	215,395	475,496
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>16,867,892</u>	<u>(16,867,892)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>\$ 126,045,527</u>	<u>\$ (1,272,643)</u>	<u>\$ 124,772,884</u>	<u>\$ 88,956,230</u>

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENT OF ACTIVITIES (CONT.)
for the year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Expenses:				
Programs	\$ 112,157,823	\$ -	\$ 112,157,823	\$ 80,641,203
Fundraising	2,797,652	-	2,797,652	1,670,318
Public relations	1,030,238	-	1,030,238	1,726,692
Management and general	<u>7,962,940</u>	<u>-</u>	<u>7,962,940</u>	<u>2,669,329</u>
Total expenses	<u>123,948,653</u>	<u>-</u>	<u>123,948,653</u>	<u>86,707,542</u>
Net Increase (decrease) from operations	2,096,874	(1,272,643)	824,231	2,248,688
Nonoperating activity:				
Realized/unrealized gain/(loss) on investment	(1,312,463)	-	(1,312,463)	4,952,617
Change in net assets	784,411	(1,272,643)	(488,232)	7,201,305
Net assets, at beginning of year	<u>35,091,171</u>	<u>20,045,419</u>	<u>55,136,590</u>	<u>47,935,285</u>
Net assets, at end of year	<u>\$ 35,875,582</u>	<u>\$ 18,772,776</u>	<u>\$ 54,648,358</u>	<u>\$ 55,136,590</u>

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020				2019	
	Humanitarian Programs	Fundraising	Public Relations	Management and General	Total	Total
Program services	\$ 99,624,770	\$ -	\$ -	\$ -	\$ 99,624,770	\$ 62,216,398
General and administrative costs:						
Personnel and related costs	9,607,904	630,692	757,815	5,394,390	16,390,801	15,419,599
Travel	284,198	8,251	29,685	96,126	418,260	1,779,584
Rent	391,239	39,656	46,961	540,528	1,018,384	1,041,713
Depreciation	73,604	762	910	55,235	130,511	154,842
Maintenance and repairs	41,765	-	-	32,996	74,761	112,527
Management and administration	578,916	11,691	-	457,357	1,047,964	1,812,070
Materials and supplies	352,125	24,646	26,536	278,189	681,496	444,939
Postage and telecommunications	110,371	209,899	5,665	87,197	413,132	278,893
Professional services	1,074,225	509,302	105,552	848,665	2,537,744	1,881,419
Promotion/Advertising	-	209,349	138,152	-	347,501	197,348
Publication and printing	11,984	1,153,404	113,588	9,469	1,288,445	967,896
Transportation, handling and warehousing	6,722	-	-	5,309	12,031	2,343
Other	-	-	(194,626)	157,479	(37,147)	397,971
Total expenses	<u>\$ 112,157,823</u>	<u>\$ 2,797,652</u>	<u>\$ 1,030,238</u>	<u>\$ 7,962,940</u>	<u>\$ 123,948,653</u>	<u>\$ 86,707,542</u>

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2020 and December 31, 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (488,232)	\$ 7,201,305
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 130,511	\$ 154,842
(Gain) loss on sale of fixed assets	-	(4,875)
Dividends reinvested	(509,316)	(827,276)
Realized/unrealized (gain) loss on securities	1,312,463	(4,952,617)
Receipt of contributed securities	-	(215,229)
Sale of contributed securities	1,944	220,688
Bad debt expense	3,934	4,400
(Increase) decrease in net amounts due from affiliates	(890,826)	(5,070,602)
(Increase) decrease in amounts due from government agency	(839,400)	(1,955,687)
(Increase) decrease in other receivables	(221,690)	614,259
(Increase) decrease in contributions receivable	(116,995)	321,930
(Increase) decrease in inventories	(21,286)	21,903
(Increase) decrease in prepaid expenses	110,768	(74,249)
(Increase) decrease in agency funds - asset	(231,979)	221,995
(Increase) decrease in contributions receivable - long term	(416,976)	(244,076)
Increase (decrease) in accounts payable	(45,675)	123,073
Increase (decrease) in accrued expenses	(119,081)	1,447,748
Increase (decrease) in amounts due to affiliates	(195,604)	122,077
Increase (decrease) in amounts due to government agency	9,295,524	5,116,023
Increase (decrease) in loans from other	1,977,700	-
Increase (decrease) in amounts due to other	1,988,033	593,094
Increase (decrease) in agency funds - liability	231,979	(221,995)
Total adjustments	11,444,027	(4,604,574)
Net cash provided by (used in) operating activities:	\$ 10,955,795	\$ 2,596,731
Cash flows from investing activities:		
Purchase of securities	\$ -	\$ (10,535,401)
Sales of securities	5,010,627	12,990,000
Payments from affiliates	17,633	44,872
Loans to other	-	(5,429)
Payments from other	5,429	-
Purchases of furniture and equipment	(49,208)	(15,421)
Proceeds from sale of fixed assets	-	4,875
Net cash provided by (used in) investing activities:	\$ 4,984,481	\$ 2,483,496
Net increase (decrease) in cash and cash equivalents	15,940,276	5,080,227
Cash and cash equivalents at beginning of year	10,513,583	5,433,356
Cash and cash equivalents at end of year	\$ 26,453,859	\$ 10,513,583
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ -	\$ 215,229
Reinvested dividends and interest	\$ 509,316	\$ 827,276

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

1. Organization and Purpose

The Adventist Development and Relief Agency International (ADRA) is a not-for-profit corporation organized under the District of Columbia law. ADRA was established by the Seventh-day Adventist Church for the purpose of providing aid to charitable, educational, and developmental endeavors throughout the world, without regard to race, gender, political or religious affiliation. ADRA maintains an active relationship with the General Conference of Seventh-day Adventist, which is the headquarters for the Seventh-day Adventist Church. Activity with the General Conference and its other church related entities are classified as affiliates and disclosed in Note 8.

2. Summary of Significant Accounting Policies

Basis of Accounting

ADRA's financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in the United States of America.

The accompanying financial statements do not include the revenue, expenses, assets, liabilities, and net assets of ADRA's affiliate implementing partners. ADRA's implementing partners include some subrecipient non-government organizations and ADRA affiliate implementing partners operating outside of the United States. This subset of ADRA's implementing partners, referred to herein as affiliate implementing partners although related to the Seventh-day Adventist Church, are not under the control of ADRA and therefore are not consolidated.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ADRA's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The amounts ADRA will ultimately realize could differ from the estimates in the near term. Significant estimates include assessing the fair value of investments, contributions receivables, gifts-in-kind, inventory related to commodities.

Reclassifications

Certain prior year financial information has been reclassified to conform to the current year presentation.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

Cash and Cash Equivalents

Cash and cash equivalents include checking account balances in various banks and money market funds invested in the General Conference (GC) Money Fund with original maturities of ninety days or less. Cash equivalents held in the GC Money fund are classified as level 2 under the Financial Accounting Standards Board Financial Accounting Standards Codification Topic 820 Fair Value Measurement (ASC 820) fair value hierarchy.

Fair Value of Financial Instruments

The value of all financial instruments on the Statement of Financial Position is approximated at fair value, including in-kind donations of stock.

ASC 820 requires additional disclosure about the sources of information used to determine the fair values of assets and liabilities and expands disclosure about fair value measurements. ASC 820 also establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace. The following describes the hierarchy of methodologies used to measure fair value:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Investments

The fair values of the investments in the General Conference Corporation of the Seventh-day Adventist Church (General Conference) unitized funds are based on the unit value of each fund and the number of units owned. Unit values are calculated each month by the Investment Office of the General Conference, based on portfolio values provided by the funds' custodian, the net asset value of other assets and the total number of units held by the participants. The General Conference is the trustee of the unitized funds. The fair value of investment in the GC Unitized funds is assessed on a recurring basis and the inputs utilized in determining fair value are summarized in the additional disclosure presented in Note 7.

Split-interest Agreements

Contributions receivable representing split-interest agreements where ADRA is a beneficiary of a charitable gift annuity or trust held by a third party are initially recorded at fair value and re-measured annually based on valuations provided by the third-party administrator which factor in net present value of future cash flows. Split interest agreements are classified as level 3, as presented in Note 6.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

Inventories

Purchased inventory, which includes pre-positioned inventory, is carried at original cost by applying the specific identification method except for premiums inventory which is valued using the weighted average cost method. Other donated materials are valued at estimated fair value at the date of receipt through reference to available fair values for similar items. Valuation of donated food commodities from the U.S. Government for distribution is provided by the Commodity Credit Corporation (CCC).

Furniture and Equipment

Furniture and equipment are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years. Grant related fixed asset procurements are expensed in the year of acquisition. The donor, at its discretion, determines whether furniture and equipment procured using grant funds are to be returned or retained by ADRA for use in similar programs upon grant conclusion.

Agency Funds

From time to time ADRA holds funds on behalf of the unconsolidated affiliates in an agency capacity to facilitate office transactions. A corresponding payable is recorded on the Statement of Financial Position for these funds on their behalf.

Public Support

Donations with and without donor restrictions are recognized as support when received.

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor for either purpose or time. The net assets without donor restrictions are used to account for resources over which ADRA's Board of Directors has discretionary control for use within the limitations imposed by its charter and bylaws.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions received in the same year in which the restrictions are met are recorded as an increase to support at the time of receipt and as net assets released from restrictions.

ADRA reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, ADRA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government grants are considered to be contribution transactions, the majority of which are cost-reimbursable conditional grants. Generally, grant expenses are incurred when grant funds are disbursed to implementing partners and adjusted for unexpended amounts at the period end. Revenue, including approved indirect cost recovery, is recognized when allowable cost have been

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

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for the years ended December 31, 2020 and December 31, 2019

incurred. ADRA's cost incurred under its government grants are subject to an audit by government agencies. Management believes that disallowance of cost, if any, would not be material to the financial position or changes in net assets of ADRA.

Other privately funded grants are both unconditional and conditional contributions. Unconditional grants are recognized as contributions at the time of the grant agreement, if restrictions exist, they are recorded as contributions with donor restrictions. Conditional grants are recognized when grant funds are disbursed to implementing partners and adjusted for unexpended amount at the period end.

Donated Materials

ADRA receives donations of food commodities, educational material, medical equipment and supplies, clothing, and other commodities for use in relief and development programs.

ADRA accounts for donated materials in accordance with generally accepted accounting principles and also applies the industry standards developed by an interagency taskforce appointed by the Association of Evangelical Relief and Development Organization (AERDO), the Interagency Gifts In Kind Standards. ADRA only records the value of gifts-in-kind for which ADRA was either the original recipient of the gift, was involved in partnership with another end-user agency organization for distribution internationally, or if gifts-in-kind are used in ADRA programs.

ADRA retains final discretion over their ultimate disposition. Contributions of donated materials are recognized as support without donor restrictions when received, expensed when disbursed to programs, and are recorded at their estimated fair value.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

Functional Expenses

ADRA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/or support service are charged directly to the functional program or supporting service. Rent and Depreciation have a two-step allocation method.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Program services	Direct
Personnel and related costs	Time and effort
Travel	Time and effort
Rent	Square footage/functional time and effort
Depreciation	Cost center/functional time and effort
Maintenance and repairs	Direct functional
Management and administration	Direct functional
Materials and supplies	Direct functional
Postage and telecommunications	Direct functional
Professional services	Direct functional
Public education/awareness	Direct functional
Publication and printing	Direct functional
Transportation, handling and warehousing	Direct functional
Other	Direct functional

Income Taxes

ADRA is a not-for-profit corporation whose revenue is derived from contributions and other fundraising activities and is exempt from federal and state income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code.

Advertising

Expenses for advertising to promote ADRA's image is recognized in the period incurred and recorded in the Statement of Functional Expenses under Public Relations.

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for the years ended December 31, 2020 and December 31, 2019

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic ASC 606). The standard is comprehensive, industry-neutral and intended to increase financial statement comparability across companies and industries. Under this standard revenue is recognized as performance obligations are satisfied. Additionally, the standard requires enhanced disclosure of revenue arrangements. ADRA adopted this standard effective January 1, 2020. The adoption of this standard did not have a material effect on the financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic ASC 842). This standard amends the existing accounting principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. Leases for a term greater than one year will now be classified as financing leases and required to be capitalized and disclosed in the statement of Financial Position, with a right-of-use asset and a lease liability. Only short-term leases will remain as operating leases and expensed as incurred. This standard is required to be adopted retrospective for comparative financial statements. This standard will be effective for ADRA January 1, 2022. Management is currently evaluating the impact of ASU 2016-02 on ADRA's financial statements that will include changes in processes, and internal controls because of the new standard.

Subsequent Events

Subsequent events have been evaluated through March 28, 2022, which is the date the financial statements were available to be issued.

On May 24, 2021, GoodOne Global LLC was formed in the State of Maryland. The Limited Liability Company is wholly owned by ADRA International for the purpose of implementing social investments with the aim to fully support our mission, our environment, and our communities.

In March of 2020 the COVID-19 coronavirus was classified as a pandemic. The response in the United States to the outbreak caused financial disruption to our contributors. The extent of the impact of COVID-19 on our operations and financial performance will depend on certain developments, including the duration and spread, as well as impacts on our funders and private donors.

In 2020, ADRA pivoted and adjusted implementation timetables. ADRA's global network provided new opportunities to respond in conjunction with established partnerships and developed local capacity. ADRA experienced growth in private funding and an expanded portfolio of programs responding to the COVID-19 crisis. The extent to which COVID-19 may continue to impact our financial condition or results of our operations is uncertain.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

3. U.S. Government Grants

ADRA receives various grants from agencies of the U.S. Government for the purpose of furthering its development and relief efforts in various countries throughout the world. These grants are principally received from the U.S. Agency for International Development (USAID) and typically have performance periods of multiple years. As a significant portion of the revenue for ADRA is derived from one source, USAID, there exists concentration risk for ADRA. During 2020 and 2019 respectively, ADRA received 63% and 59% of its total revenue from USAID directly, and 3% and 5% from sub-awards revenue whose source of funding is USAID. The grants are administered by ADRA, which generally disburses funds or renders commodities received to affiliate implementing partners, which are under the direction of the local division of the Seventh-day Adventist Church. The implementing partners are responsible to ADRA for fulfillment of the grant requirements and for reporting and control of related expenditures.

4. Concentration of Credit Risk

Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States. Significant portions of the cash are held with the General Conference unitized investment funds and in a money market fund as detailed in Note 6 and 7, respectively. The total deposits at times exceed FDIC insurance limits. As of December 31, 2020, and 2019, deposits of \$24,663,683 and \$9,827,057, respectively, were in excess of FDIC insurance. ADRA has not experienced a loss due to concentration of credit risk and does not expect such a loss to occur.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

5. Liquidity and Availability of Resources

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 26,453,859	\$ 10,513,583
Investments	40,652,021	46,467,739
Net amount due from affiliates	8,343,314	7,452,488
Loan to affiliates - current portion	71,087	53,278
Net amounts due from government agencies	3,630,768	2,791,368
Other receivables	516,254	298,498
Loans to other	-	5,429
Contribution receivables	477,414	360,419
Total financial assets	<u>\$ 80,144,717</u>	<u>\$ 67,942,802</u>
Less board designations not available to be used within one year	<u>-</u>	<u>1,000,000</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 80,144,717</u></u>	<u><u>\$ 66,942,802</u></u>

ADRA had assets available for limited use with donor restrictions of \$16,395,060 and \$18,209,173 as of December 31, 2020, and 2019 respectively. These assets that fulfill the designated purpose are available and have been included in the available financial assets for general expenditures within one year.

A portion of the ADRA Board Allocations are for activities that general expense would be incurred for and available in the current year. The amount of \$5,347,151 and \$2,572,009 was included in the assets available for general expenditure as of December 31, 2020, and 2019, respectively. Board allocations focused on funding for information technology, social enterprise, network trademark and governance study are included as available funds.

ADRA invests cash in excess of its immediate requirements in the GC Money Fund that is classified as a cash equivalent in the statement of Financial Position. These funds are also available for cash flow management. ADRA holds investments in the General Conference Unitized Funds. These investments are available to supplement liquidity needs to maintain smooth operations.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2020 and December 31, 2019

6. Fair Value

ADRA has adopted FASB guidance on fair value measurements and disclosures. This standard establishes a framework for measuring fair value, establishes a fair value hierarchy described in Note 2, and expands disclosure requirements for fair value measurements. As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Items subject to fair value measurements include the General Conference Money Fund - a cash equivalent, Investments - includes various unitized funds for which the General Conference is trustee and donated stock, and split-interest agreements held by a third party.

For the General Conference Money Fund and investments, the valuations are calculated by the investment manager based on the number of units owned in each fund. Valuation techniques take into account each fund's underlying assets and include traditional valuation methods such as cost and market approaches. Investment funds that are valued and redeemable at Net Asset Value, require no adjustments to the valuation provided by the General Conference and have no redemption restrictions, are classified as level 2. Donated stock that are publicly traded are classified as level 1.

Split-interest agreements held by a third party are valued at the present value of future cash flows. Charitable gift annuities valuations are performed by the third-party administrator who factors in net present value of future cash flows expected to be received over the term of the agreement. ADRA relies on the valuations presented by the third party that are independently audited. Change in value of split-interest are recorded annually, with the exception of maturities that are recorded when they occur. ADRA monitors that new gifts reflect its percentage of the remainder, and distributions occur in accordance with the activity voted by the Trust Service Committee of the General Conference, of which ADRA has representation. Since the valuation requires judgment and estimates, ADRA's interests in these agreements are included in level 3.

The methods described above may produce fair value calculations that may not be indicative of net realizable or reflective of future fair values. Furthermore, while ADRA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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The following table presents the financial instruments carried at fair value as of December 31, 2020 and 2019, by level within the fair value hierarchy, as defined in Note 2.

	2020			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 14,457,347	\$ -	\$ 14,457,347
Investments (<i>see note 7</i>)	-	40,650,620	1,401	40,652,021
Split-interest ²	-	-	1,478,329	1,478,329
Total assets measured at fair value	\$ -	\$ 55,107,967	\$ 1,479,730	\$ 56,587,697

	2019			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 3,364,974	\$ -	\$ 3,364,974
Investments (<i>see note 7</i>)	-	46,464,394	3,345	46,467,739
Split-interest ²	-	-	1,180,851	1,180,851
Total assets measured at fair value	\$ -	\$ 49,829,368	\$ 1,184,196	\$ 51,013,564

¹ General Conference Money Fund is included in cash and cash equivalents in the Statement of Financial Position, and further described in Note 8.

² Split-interest are a part of contributions receivable, and contributions receivable-long term in the Statement of Financial Position.

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7. Investments

Investments as of December 31, 2020 and 2019, which consist of units held in various unitized funds for which the General Conference is the trustee, are summarized below. The fair value measurement of the unitized funds is based on their net asset values which is a level 2 input as per Note 2.

	2020			2019		
	Cost	Fair Value	Accumulated Unrealized Appreciation (Decline)	Cost	Fair Value	Accumulated Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 2,969,673	\$ 7,599,246	\$ 4,629,573	\$ 5,319,088	\$ 10,296,493	\$ 4,977,405
Unitized GC International fund	7,535,073	4,232,929	(3,302,144)	8,055,777	4,995,722	(3,060,055)
Unitized GC Small Cap/US Equity Fund	1,331,386	2,029,693	698,307	1,929,192	2,549,588	620,396
Unitized GC Emerging Markets Fund	2,246,850	1,695,356	(551,494)	2,246,850	1,441,062	(805,788)
Unitized GC Income Fund	7,337,209	8,416,023	1,078,814	7,673,718	8,310,637	636,919
Unitized GC Bond Fund	3,626,033	3,808,887	182,854	4,032,898	4,070,453	37,555
Unitized Capital Preservation Fund	1,844,442	1,840,587	(3,855)	1,826,353	1,797,624	(28,729)
Unitized Global Opportunities Fund	2,346,066	2,651,500	305,434	3,446,502	3,744,556	298,054
Unitized GC Tactical Fund	8,799,000	8,376,399	(422,601)	8,799,000	9,258,259	459,259
Donated Stock & Other Securities	1,401	1,401	-	3,345	3,345	-
	<u>\$ 38,037,133</u>	<u>\$ 40,652,021</u>	<u>\$ 2,614,888</u>	<u>\$ 43,332,723</u>	<u>\$ 46,467,739</u>	<u>\$ 3,135,016</u>

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8. Transactions with Affiliated Entities

Amounts due from (to) affiliates at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Net amounts due from affiliates:		
ADRA – Bangladesh	\$ -	\$ 19,819
ADRA – Brazil	3,030	-
ADRA – Canada	58,698	7,875
ADRA – Chad	450	-
ADRA – Democratic Republic of Congo	-	958
ADRA – Ghana	2,341	-
ADRA – Honduras	33,437	-
ADRA – India	18,011	5,597
ADRA – Kenya	2,584	-
ADRA – Madagascar	-	2,130
ADRA – Mozambique	91	-
ADRA – Sudan	308,000	1,560
ADRA – Syria	1,117,967	997,288
ADRA – Uganda	150,000	-
ADRA – Venezuela	9,679	7,779
ADRA – Yemen	97,415	-
General Conference	816,154	922,835
North American Division	8,754	10,331
Other affiliated organizations	<u>5,716,703</u>	<u>5,476,316</u>
	<u>\$ 8,343,314</u>	<u>\$ 7,452,488</u>
Amounts due to affiliates:		
ADRA – Africa Regional Office	\$ 149,438	\$ 66,555
ADRA – Asia Regional Office	11,556	83,764
ADRA – Democratic Republic of Congo	2,834	-
ADRA – Ghana	-	9,862
ADRA – Kenya	-	6,627
ADRA – Madagascar	809	-
ADRA – Mozambique	-	1,093
ADRA – Yemen	-	53,625
Other affiliated organizations	<u>926,150</u>	<u>1,064,865</u>
	<u>\$ 1,090,787</u>	<u>\$ 1,286,391</u>

Other affiliated organizations in amounts due from affiliates is comprised of other Seventh-day Adventist church entities and divisions. A component of due from affiliates is for grant project funds advanced and unexpended of \$5,807,010 and \$5,465,574 as of December 31, 2020 and 2019, respectively.

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Amounts due from the General Conference, include direct and indirect public support collected by the General Conference for ADRA. The amount due from the General Conference is net of amounts due to the General Conference for services provided by the General Conference to ADRA, such as utilities, facility operation, and general services. Total amounts billed to ADRA for these services were \$651,570 and \$648,304, resulting in a net receivable of \$816,154 and \$922,835 for the years ended December 31, 2020 and 2019, respectively.

ADRA has its principal office in the facility owned by the General Conference. The rental value of that facility has been recognized as an in-kind donation in the Statement of Activities and is included in the Seventh-day Adventist Church public support. The amount was \$366,815 and \$393,409 for the years ended December 31, 2020 and 2019, respectively.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2020 and 2019 was \$72,283 and \$67,648 respectively, which is included in investment and other revenue, net in the Statement of Activities. These earnings were generated from the General Conference Money Fund ending balances as of December 31, 2020 and 2019 totaling \$14,457,347 and \$3,364,974, respectively, and which are reflected in the Statement of Financial Position as part of cash and cash equivalents.

Investment income earned on unitized funds for which the General Conference is trustee for the years ended December 31, 2020 and 2019 was \$509,316 and \$827,276 respectively, which is included in Investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2020 and 2019 totaling \$40,650,620 and \$46,464,394 respectively. See Note 7 for additional disclosures.

Contributions from the Seventh-day Adventist Church are reflected in the Statement of Activities for the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Disaster and famine relief offering	\$ 1,774,572	\$ 2,127,721
Institutional Support	7,070	6,241
Tithe	224,381	224,381
Non tithe	488,677	486,228
Rent	366,815	393,409
Appropriations for field offices	<u>2,394,059</u>	<u>2,503,368</u>
	<u>\$ 5,255,574</u>	<u>\$ 5,741,348</u>

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9. Amounts Due from Government Agency

Amounts due from government agency at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Amount due from government agency	\$ 3,768,747	\$ 2,929,346
Less allowance for uncollectible receivables	<u>(137,978)</u>	<u>(137,978)</u>
	<u>\$ 3,630,768</u>	<u>\$ 2,791,368</u>

10. Contributions Receivable

Contributions receivable consist of estates, installment pledges, and irrevocable split-interest agreements including charitable gift annuities and trusts in which ADRA has either lead or remainder interest. These amounts are recorded at the present value of future cash flows, which is based on the actuarial calculations using fair market value of the assets, IRS life expectancy tables and industry standards for discount rates.

	<u>2020</u>	<u>2019</u>
<u>Less than one year</u>		
Estates and installments	\$ 469,914	\$ 345,419
Split-interest agreements	7,500	\$15,000
Contributions receivable - short term	<u>\$ 477,414</u>	<u>\$ 360,419</u>
<u>One to five years</u>		
Estates and installments	\$ 420,489	\$ 308,491
Split-interest agreements	1,470,829	1,165,851
<u>More than five years</u>		
Estates and installments	16,484	16,484
Contributions receivable – long term, net	<u>\$ 1,907,802</u>	<u>\$ 1,490,826</u>
	<u>\$ 2,385,216</u>	<u>\$ 1,851,245</u>

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Contributions receivable are presented net of present value adjustments and allowances for uncollectible pledges.

Present value adjustments	\$ 139,363	\$ 103,841
Allowance for uncollectible pledged contributions	\$ (1,591,880)	\$ (1,205,625)

In 2018, ADRA received a multiyear conditional pledge to be paid out over five years for a school feeding program and sponsorship of a youth mission program. As of December 31, 2020, and 2019, the outstanding pledge were \$1,300,000 and \$1,950,000 respectively.

ADRA had conditional grant contributions that were conditioned on incurring qualifying expenses. As of December 31, 2020 and 2019, the amounts of conditional contributions were \$64,039,011 and \$95,533,194, respectively.

11. Inventories

Inventories at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Purchased	\$ 162,138	\$ 135,470
Donated	<u>58,849</u>	<u>64,231</u>
	<u>\$ 220,987</u>	<u>\$ 199,701</u>

12. Furniture and Equipment

Furniture and equipment at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 1,292,209	\$ 1,243,000
Less accumulated depreciation	<u>(828,796)</u>	<u>(698,284)</u>
	<u>\$ 463,413</u>	<u>\$ 544,716</u>

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13. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Africa	\$ 280,606	\$ 251,483
Asia	291,036	301,828
Central America	192,912	241,247
Europe	52,290	28,690
North America	768,382	825,182
South America	14,073	14,871
South Pacific	63,179	90,876
Children	578,560	1,324,035
Economic development	-	10,507
Education	105,389	148,451
Emergency - disaster	2,176,990	3,292,068
Food	7,076,488	7,432,400
Health	3,044,844	2,953,540
Matching grant	45	-
Restricted as to time	2,377,716	1,836,246
Term endowment	74,279	75,198
Other	1,675,987	1,218,797
	<u>\$ 18,772,776</u>	<u>\$ 20,045,419</u>

Net assets released from donor restrictions during the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions	\$ 16,852,925	\$ 12,057,111
Expiration of time restrictions	<u>14,967</u>	<u>81,146</u>
	<u>\$ 16,867,892</u>	<u>\$ 12,138,257</u>

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14. Program Expense Allocation

ADRA's Humanitarian Programs include direct programmatic expenses incurred for activities related to field office support in educational and developmental and emergency needs throughout the world. Program services and general administrative support expenses are allocated to individual programs on the basis detailed in Note 2. Funding for Humanitarian Programs comes from various sources, as outlined in the table below.

Salaries and other compensation that is constituted as programmatic in nature are allocated on the basis of actual time and effort reporting. Employee fringe benefits are allocated proportionately to salaries. Rent is allocated by square footage to the cost centers assigned and proportionately allocated across functions based on functional allocation of time and effort reporting. Depreciation is allocated by cost center and proportionally allocated across functions based on functional allocations of time and effort reporting.

Most of ADRA's US government grants have an overhead recovery component, which is an indirect cost reimbursement of management and general supporting costs to administer the programs. For purposes of ADRA's functional expense presentation, general and administrative cost have been allocated to Humanitarian Programs based on the allowable indirect cost overhead recovery. The overhead component has been allocated as an indirect cost allocation to the applicable programs that provide such a recovery. The overhead allocated on a proportional basis to grants in a given fiscal year is allocated across the various indirect cost categories such as personnel and related costs, travel, rent, depreciation, maintenance and repairs, professional services, publication and printing, etc. Indirect cost allocations are applied in the year they occur based on the provisional rate approved by USAID for the governmental grants, and adjusted to actual overhead incurred per year at the finalization and closeouts of grants occurring in subsequent fiscal years based on final indirect cost rates.

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	2020								2019	
	Commodities Distributed	Ocean and Inland Freight	Grants Direct	Grants Sub-awards	ADRA Funding	Development and Relief Projects and Disaster Assistance	Donated Materials	Non- Governmental Grants	Total	Total
Program services	\$ 486,626	\$ 151,932	\$ 68,426,943	\$ 2,699,613	\$ 1,164,306	\$ 12,409,288	\$ 8,491,553	\$ 5,794,509	\$ 99,624,770	\$ 62,216,398
General and administrative costs allocation:										
Personnel and related cost	-	-	7,519,245	706,036	-	1,294,124	-	88,499	9,607,904	12,798,884
Travel	-	-	233,788	11,464	-	36,104	-	2,842	284,198	1,443,987
Rent	-	-	199,713	20,170	-	171,356	-	-	391,239	357,642
Depreciation	-	-	63,502	6,413	-	3,689	-	-	73,604	132,496
Maintenance and repairs	-	-	37,934	3,831	-	-	-	-	41,765	101,063
Management and administration	-	-	525,812	53,104	-	-	-	-	578,916	1,614,163
Materials and supplies	-	-	319,825	32,300	-	-	-	-	352,125	397,168
Postage and telecommunications	-	-	100,247	10,124	-	-	-	-	110,371	172,590
Professional services	-	-	975,687	98,538	-	-	-	-	1,074,225	1,342,066
Publication and printing	-	-	10,885	1,099	-	-	-	-	11,984	62,642
Transportation, handling and warehousing	-	-	6,105	617	-	-	-	-	6,722	2,104
Total overhead allocation	\$ -	\$ -	\$ 9,992,743	\$ 943,696	\$ -	\$ 1,505,273	\$ -	\$ 91,341	\$ 12,533,053	\$ 18,424,805
Total program services expense	<u>\$ 486,626</u>	<u>\$ 151,932</u>	<u>\$ 78,419,686</u>	<u>\$ 3,643,309</u>	<u>\$ 1,164,306</u>	<u>\$ 13,914,561</u>	<u>\$ 8,491,553</u>	<u>\$ 5,885,850</u>	<u>\$ 112,157,823</u>	<u>\$ 80,641,203</u>

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15. Retirement Plan

Eligible ADRA employees are covered by the Seventh-day Adventist Retirement Plan of the North America Division. The Retirement Plan is a multi-employer, defined benefit retirement plan for employees of the General Conference and its affiliates. The Retirement Plan provides for assistance of eligible employees, their spouses, and dependent children, and the eligible spouses and children of deceased participants. Benefits of the Retirement Plan include retirement allowance for the employee and the qualifying spouse, health care assistance, and death benefits.

The Retirement Plan was active through 1999, and continues to be funded by contributions of the participating entities. The contributions are calculated as a percentage of audited remuneration data for the fiscal year ending two years prior to the billing period. ADRA's exposure is their share of the unfunded actuarial liability. Financial information of the Retirement Plan's underlying assets, contributions, and actuarial liability are unavailable for disclosure. The Retirement Plan is exempt from IRS filings.

For the years ending December 31, 2020 and 2019 retirement expense of the Retirement Plan contributions consist of the following:

	<u>2020</u>	<u>2019</u>
Retirement	\$ 590,168	\$ 523,691
Health Care	<u>284,908</u>	<u>252,817</u>
	<u>\$ 875,076</u>	<u>\$ 776,508</u>

ADRA also participates in a multi-employer defined contribution retirement plan. The basic employer contribution rate is 5% of eligible wages. In addition, ADRA matched employee's contribution up to an additional 5% from January 1, 2020 to June 30, 2020. Beginning July 1, 2020, ADRA matches employee's contribution up to an additional 7%. Contributions to the defined contribution plan were \$921,037 and \$742,457, for 2020 and 2019, respectively.

16. Gifts in Kind

For the years ended December 31, 2020 and 2019, gifts in kind were received from other non-profit organizations of \$8,429,568 and \$4,903,251, respectively. For the years ended December 31, 2020 and 2019, gifts in kind were distributed to affiliate implementing partners of \$8,491,553 and \$4,901,475, respectively.

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17. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These audits may result in a liability payable to the grantor. The amount of expenditures, if any, which may be potentially disallowed, cannot be determined at this time, although ADRA expects such amount to be immaterial.

In connection with its ongoing relationship with USAID and the regulatory provision for its Negotiated Indirect Cost Rate Agreement (NICRA), ADRA has been involved in a process to finalize provisional rates, settle any resulting adjustments as needed and close those grants affected. ADRA has finalized rates through 2019 and has been given new provisional rates for the years 2020 and onward until amended. ADRA is currently reviewing the closing process for the years finalized, and is analyzing the subsequent year in which only preliminary rates exist. A NICRA provision for a total of \$10,100,000 was recorded for 2019 and 2020 as an estimated liability for NICRA pending finalized rates. While additional expense may result after final adjustments, ADRA does not believe the net amount will be material based on the current analysis.

ADRA had an arrangement with the General Conference to guarantee home loans for ADRA employees held by the General Conference under denominational policy. Collateral for loans is held by the General Conference in the form of recorded first and second liens against the properties. The total amount of these loans as of December 31, 2020 and 2019 was \$3,284,676 and \$3,336,307 respectively. When a foreclosure arises, ADRA's exposure is limited to the difference between the outstanding loan balance and the value of the collateral as defined in the loan agreement.

The Paycheck Protection Program (PPP) was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which provided loans to qualifying small businesses, including nonprofits, with 500 or fewer employees. The PPP Loan amount and the accrued interest are fully forgivable, as long as the borrower uses the loan proceeds for eligible purposes, including, payroll costs, benefits, rent and utilities. Additionally, the borrower must retain or quickly rehire employees to maintain its salary levels. The amount of the loan forgiveness will be reduced if salaries and wages decrease or if full-time headcount declines during the Covered Period. In 2020, ADRA elected to use an eight-week Covered Period and received a PPP loan amount of \$1,977,700 with an interest rate of 1%. In 2021, ADRA applied for and was granted full forgiveness by the Small Business Association (SBA). The amount will be recognized in 2021 as extinguishment of debt under non-operating other income.

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18. Grant Compliance

Government grants are considered to be conditional contributions based on ASU 2018-08 (Topic ASC 958), many of which are cost-reimbursable grants. Revenue, including approved indirect cost recovery, is recognized when allowable costs have been incurred. ADRA's costs incurred under its government awards are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not have a material impact on the accompanying financial statements.

19. ADRA Board Designated Funds

During 2020 the ADRA Board of Directors (the Board) designated net assets without donor restrictions of \$776,000 for information technology, \$538,590 for social enterprise, \$211,168 for network trademark cost and \$1,000,000 for government study. As of December 2020, \$47,886 has been met.

During 2018 the ADRA Board of Directors (the Board) designated net assets without donor restrictions of \$3,150,000 to support advocacy from 2019 to 2021. As of December 2020, \$1,151,825 has been met.

During 2015 and 2016 the ADRA Board of Directors (the Board) designated \$2,000,000 for capacity building focused on strategically repositioning the ADRA network to compete for funding opportunities. As of December 2020, \$1,128,896 has been met.

The Board designated amounts are included in the net assets without donor restrictions in the statement of financial position.