

**Adventist Development and
Relief Agency International**
Report on Financial Statements
For the Years Ended December 31, 2021 and 2020

Adventist Development and Relief Agency International
Index
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Adventist Development and Relief Agency International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related December 31, 2021 statements of activities, functional expenses, and the December 31, 2021 and 2020 cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventist Development and Relief Agency International as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Adventist Development and Relief Agency International and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adventist Development and Relief Agency International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Adventist Development and Relief Agency International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adventist Development and Relief Agency International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Adventist Development and Relief Agency International's 2020 financial statements, and we expressed an unmodified opinion on those audited 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maney Costerian PC

September 13, 2022

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2021 and December 31, 2020

ASSETS		
	2021	2020
Cash and cash equivalents	\$ 15,113,402	\$ 26,453,859
Investments	65,523,693	40,652,021
Net amount due from affiliates	1,969,832	8,343,314
Loans to affiliates	55,289	71,087
Amount due from government agency, net of allowance	3,510,482	3,630,768
Other receivables	222,704	516,254
Contributions receivable, net of allowances	640,095	477,414
Inventories	1,071,876	220,987
Prepaid expenses	365,299	164,284
Furniture and equipment, net of accumulated depreciation	369,339	463,413
Agency funds	1,752,024	1,298,386
Contributions receivable - long-term, net of allowances	2,592,307	1,907,802
Loans to affiliates - long term	<u>370,353</u>	<u>384,508</u>
Total assets	<u>\$ 93,556,695</u>	<u>\$ 84,584,097</u>
LIABILITIES		
Accounts payable	\$ 1,668,783	\$ 859,605
Accrued expenses	8,065,327	5,563,021
Amount due to affiliates	1,791,624	1,090,787
Amount due to government agency	7,507,307	14,414,162
Amount loan from other	-	1,977,700
Amount due to other	4,164,875	4,732,078
Agency funds	<u>1,752,024</u>	<u>1,298,386</u>
Total liabilities	<u>24,949,940</u>	<u>29,935,739</u>
NET ASSETS		
Without donor restrictions		
Undesignated	41,636,595	30,528,431
Designated by the Board <i>(Note 19)</i>	<u>4,780,973</u>	<u>5,347,151</u>
Total net assets without donor restrictions	46,417,568	35,875,582
With donor restrictions		
Restricted to purpose	18,957,844	16,395,060
Restricted to time	<u>3,231,343</u>	<u>2,377,716</u>
Total net assets with donor restrictions	22,189,187	18,772,776
Total net assets	<u>68,606,755</u>	<u>54,648,358</u>
Total liabilities and net assets	<u>\$ 93,556,695</u>	<u>\$ 84,584,097</u>

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, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 2,816,081	\$ -	\$ 2,816,081	\$ 545,474
Ocean and inland freight	932,740	-	932,740	151,932
Grants - direct	83,938,630	-	83,938,630	78,419,686
Grants - sub-awards	2,816,757	-	2,816,757	3,643,309
Public support:				
Seventh-day Adventist Church	5,433,329	-	5,433,329	5,255,574
Contributions	18,017,794	9,928,850	27,946,644	21,187,393
Donated materials	60,807	3,671,752	3,732,559	8,429,568
Grants - other	5,753,791	-	5,753,791	6,161,623
Freight and handling fees reimbursement	951	-	951	-
Investment, net	596,456	218,436	814,892	762,930
Other revenue	169,428	16	169,444	215,395
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>10,402,643</u>	<u>(10,402,643)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>\$ 130,939,407</u>	<u>\$ 3,416,411</u>	<u>\$ 134,355,818</u>	<u>\$ 124,772,884</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, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	Total
Expenses:				
Programs	\$ 117,011,261	\$ -	\$ 117,011,261	\$ 112,157,823
Fundraising	2,889,430	-	2,889,430	2,797,652
Public relations	836,975	-	836,975	1,030,238
Management and general	<u>5,936,688</u>	<u>-</u>	<u>5,936,688</u>	<u>7,962,940</u>
Total expenses	<u>126,674,354</u>	<u>-</u>	<u>126,674,354</u>	<u>123,948,653</u>
Net Increase (decrease) from operations	4,265,053	3,416,411	7,681,464	824,231
Nonoperating activity:				
Realized/unrealized gain/(loss)				
Investment	4,299,233	-	4,299,233	(1,312,463)
Extinguishment of debt	<u>1,977,700</u>	<u>-</u>	<u>1,977,700</u>	<u>-</u>
Total nonoperating activity	6,276,933	-	6,276,933	(1,312,463)
Change in net assets	10,541,986	3,416,411	13,958,397	(488,232)
Net assets, at beginning of year	<u>35,875,582</u>	<u>18,772,776</u>	<u>54,648,358</u>	<u>55,136,590</u>
Net assets, at end of year	<u>\$ 46,417,568</u>	<u>\$ 22,189,187</u>	<u>\$ 68,606,755</u>	<u>\$ 54,648,358</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, 2021
(with summarized financial information for the year ended December 31, 2020)

	Program Services	Supporting Services			Total	Total
	Humanitarian Programs	Fundraising	Public Relations	Management and General	2021	2020
Funding of ADRA International Programs						
Development and relief humanitarian programs	\$ 90,697,341	\$ -	\$ -	\$ -	\$ 90,697,341	\$ 87,588,611
Donated materials and services	8,936,711	-	-	-	8,936,711	11,524,170
Personnel and related costs	12,104,679	572,884	127,125	3,713,276	16,517,964	16,390,801
Travel	164,191	14,112	17,268	45,097	240,668	418,260
Rent	447,140	36,406	7,873	482,392	973,811	1,018,384
Depreciation	89,134	550	136	32,892	122,712	130,511
Maintenance and repairs	61,074	-	-	23,146	84,220	74,761
Management and administration	1,019,548	3,270	-	386,388	1,409,206	1,047,964
Materials and supplies	301,978	6,486	26,430	114,443	449,337	681,496
Postage and telecommunications	129,487	177,446	-	49,073	356,006	413,132
Professional services	2,844,406	372,978	439,989	780,248	4,437,621	2,836,024
Promotion and advertising	-	736,976	162,069	-	899,045	347,501
Publication and printing	4,137	895,189	23,702	1,568	924,596	1,288,445
Transportation, handling and warehousing	211,435	-	-	33,798	245,233	225,740
Other	-	73,133	32,383	274,367	379,883	(37,147)
Total expenses	<u>\$ 117,011,261</u>	<u>\$ 2,889,430</u>	<u>\$ 836,975</u>	<u>\$ 5,936,688</u>	<u>\$ 126,674,354</u>	<u>\$ 123,948,653</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, 2021 and December 31, 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 13,958,397	\$ (488,232)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 122,712	\$ 130,511
Dividends reinvested	(572,439)	(509,316)
Realized/unrealized (gain) loss on securities	(4,299,233)	1,312,463
Receipt of contributed securities	(76,061)	(385,002)
Sale of contributed securities	76,061	386,946
Bad debt expense	529	3,934
(Increase) decrease in net amounts due from affiliates	6,373,482	(890,826)
(Increase) decrease in amounts due from government agency	120,286	(839,400)
(Increase) decrease in other receivables	293,021	(221,690)
(Increase) decrease in contributions receivable	(162,681)	(116,995)
(Increase) decrease in inventories	(850,889)	(21,286)
(Increase) decrease in prepaid expenses	(201,015)	110,768
(Increase) decrease in agency funds - asset	(453,638)	(231,979)
(Increase) decrease in contributions receivable - long term	(684,505)	(416,976)
Increase (decrease) in accounts payable	809,178	(45,675)
Increase (decrease) in accrued expenses	2,502,306	(119,081)
Increase (decrease) in amounts due to affiliates	700,837	(195,604)
Increase (decrease) in amounts due to government agency	(6,906,855)	9,295,524
Increase (decrease) in amounts due to other	(567,203)	1,988,033
Increase (decrease) in agency funds - liability	453,638	231,979
Total adjustments	(3,322,469)	9,466,327
Net cash provided by (used in) operating activities:	\$ 10,635,928	\$ 8,978,095
Cash flows from investing activities:		
Sales of securities	\$ (20,000,000)	\$ 5,010,627
Payments from affiliates	29,953	17,633
Loans to other	-	5,429
Purchases of furniture and equipment	(28,638)	(49,208)
Net cash provided by (used in) investing activities:	\$ (19,998,685)	\$ 4,984,481
Cash flows from financing activities:		
PPP Loan	-	1,977,700
Proceeds from PPP loan	\$ (1,977,700)	\$ -
Net cash flows (used in) provided by financing activities:	\$ (1,977,700)	\$ 1,977,700
Net increase (decrease) in cash and cash equivalents	(11,340,457)	15,940,276
Cash and cash equivalents at beginning of year	26,453,859	10,513,583
Cash and cash equivalents at end of year	\$ 15,113,402	\$ 26,453,859
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ 76,061	\$ 385,002
Reinvested dividends and interest	\$ 572,439	\$ 509,316
Non cash financing activities		
PPP loan forgiveness	\$ 1,977,700	\$ -

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, 2021 and December 31, 2020

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, 2020, 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, 2021 and December 31, 2020

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, 2021 and December 31, 2020

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. Donor-restricted contributions that were initially conditional contributions and for which donor-imposed conditions and restrictions are met in the same reporting period are recorded as support without donor 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.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2021 and December 31, 2020

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 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, 2021 and December 31, 2020

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. 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.

The expenses that are allocated include the following:

Expense	Method of Allocation
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
Promotion and advertisement	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.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2021 and December 31, 2020

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 September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure. This standard is required to be adopted retrospectively for comparative financial statements. It will be effective for ADRA January 1, 2022. Management is currently evaluating the impact of ASU 2020-07 on ADRA's financial statements that will include changes in processes and presentation because of the new standard.

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 September 13, 2022, which is the date the financial statements were available to be issued.

On April 1, 2022, GoodOne Global LLC acquired GoodOne Foods NZ in New Zealand. 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.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2021 and December 31, 2020

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 2021 and 2020 respectively, ADRA received 67% and 65% of its total revenue from USAID directly, and 2% and 3% 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, 2021, and 2020, deposits of \$12,314,059 and \$24,663,683, 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

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5. Liquidity and Availability of Resources

The table below represents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 15,113,402	\$ 26,453,859
Investments	65,523,693	40,652,021
Net amount due from affiliates	1,969,832	8,343,314
Loan to affiliates - current portion	55,289	71,087
Net amounts due from government agencies	3,510,482	3,630,768
Other receivables	222,704	516,254
Contribution receivables	640,095	477,414
Total financial assets at year-end	<u>\$ 87,035,497</u>	<u>\$ 80,144,717</u>
Less: Donor-imposed restrictions:		
Subject to expenditure for specified purpose	<u>(18,957,844)</u>	<u>(16,395,060)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	\$ 68,077,653	\$ 63,749,657
Less: Net assets designated by the Board	<u>(4,780,973)</u>	<u>(5,347,151)</u>
Financial assets available to meet needs for general expenditures within one year	<u><u>\$ 63,296,680</u></u>	<u><u>\$ 58,402,506</u></u>

ADRA receives donor restricted contributions that are required to be used for specific purposes or in a future period. ADRA must maintain sufficient liquidity to meet those restrictions. Therefore, certain financial assets may not be available for general expenditure within 12 months. While the Organization's board has designated a portion of its resources as noted above, these funds remain available and may be spent at the discretion of the board.

ADRA invest 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 need to maintain smooth operations. The overall liquidity and availability objective is to preserve principal, limit the occurrence of negative returns, and maximize current income, consistent with daily liquidity needs. The operating investments will be managed based on the timing of cash flow needs.

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NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2021 and December 31, 2020

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 financial instruments carried at fair value by level within the fair value hierarchy, as defined in Note 2, as well as, assets measured at NAV, as of December 31, 2021 and 2020, consist of:

	2021			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 5,499,135	\$ -	\$ 5,499,135
Investments (<i>see note 7</i>)	-	-	1,401	1,401
Split-interest ²	-	-	1,879,923	1,879,923
Total assets measured at fair value	\$ -	\$ 5,499,135	\$ 1,881,324	\$ 7,380,459
Investments measured at NAV ³	-	-	-	65,522,292
(<i>see note 7</i>)				
Total assets	\$ -	\$ 5,499,135	\$ 1,881,324	\$ 72,902,751
	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>)	-	-	1,401	\$ 1,401
Split-interest ²	-	-	1,478,329	1,478,329
Total assets measured at fair value	\$ -	\$ 14,457,347	\$ 1,479,730	\$ 15,937,077
Investments measured at NAV ³	-	-	-	40,650,620
(<i>see note 7</i>)				
Total assets	\$ -	\$ 14,457,347	\$ 1,479,730	\$ 56,587,697

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.

³ General Conference Unitized Funds are not subject to the fair value leveling. For redemption over \$5 million, the funds' manager, General Conference Investment Office, reserves the right to defer payment to provide sufficient time to allow for orderly sales and proceeds collections.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
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for the years ended December 31, 2021 and December 31, 2020

7. Investments

Investments as of December 31, 2021 and 2020, 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.

	2021			2020		
	Cost	Fair Value	Accumulated Unrealized Appreciation (Decline)	Cost	Fair Value	Accumulated Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 7,311,184	\$ 13,963,601	\$ 6,652,417	\$ 2,969,673	\$ 7,599,246	\$ 4,629,573
Unitized GC International fund	9,699,360	6,812,971	(2,886,389)	7,535,073	4,232,929	(3,302,144)
Unitized GC Small Cap/US Equity Fund	2,466,716	3,713,706	1,246,990	1,331,386	2,029,693	698,307
Unitized GC Emerging Markets Fund	2,968,454	2,276,786	(691,668)	2,246,850	1,695,356	(551,494)
Unitized GC Income Fund	11,432,398	12,736,172	1,303,774	7,337,209	8,416,023	1,078,814
Unitized GC Bond Fund	5,365,827	5,420,515	54,688	3,626,033	3,808,887	182,854
Unitized Capital Preservation Fund	2,702,166	2,703,023	857	1,844,442	1,840,587	(3,855)
Unitized Global Opportunities Fund	3,594,066	4,106,894	512,828	2,346,066	2,651,500	305,434
Unitized GC Tactical Fund	8,799,000	13,788,624	4,989,624	8,799,000	8,376,399	(422,601)
Donated Stock & Other Securities	1,401	1,401	-	1,401	1,401	-
	<u>\$ 54,340,572</u>	<u>\$ 65,523,693</u>	<u>\$ 11,183,121</u>	<u>\$ 38,037,133</u>	<u>\$ 40,652,021</u>	<u>\$ 2,614,888</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
for the years ended December 31, 2021 and December 31, 2020

8. Transactions with Affiliated Entities

Amounts due from (to) affiliates at December 31, 2021 and 2020 consist of the following:

	2021	2020
Net amounts due from affiliates:		
ADRA – Brazil	\$ -	\$ 3,030
ADRA – Canada	164	58,698
ADRA – Chad	450	450
ADRA – Ghana	-	2,341
ADRA – Honduras	-	33,437
ADRA – India	248,814	18,011
ADRA – Kenya	4,093	2,584
ADRA – Madagascar	139,990	-
ADRA – Mozambique	88,168	91
ADRA – Sudan	-	308,000
ADRA – Syria	590,029	1,117,967
ADRA – Uganda	74,908	150,000
ADRA – Venezuela	1,875	9,679
ADRA – Yemen	-	97,415
General Conference	821,191	816,154
North American Division	150	8,754
Other affiliated organizations	-	5,716,703
	<u>\$ 1,969,832</u>	<u>\$ 8,343,314</u>
Amounts due to affiliates:		
ADRA – Africa Regional Office	\$ 105,836	\$ 149,438
ADRA – Asia Regional Office	39,759	11,556
ADRA – Democratic Republic of Congo	9,245	2,834
ADRA – Madagascar	-	809
ADRA – Myanmar	92,383	-
ADRA – Sudan	155	-
ADRA – Yemen	501,127	-
Other affiliated organizations	1,043,119	926,150
	<u>\$ 1,791,624</u>	<u>\$ 1,090,787</u>

Other affiliated organizations is comprised of other Seventh-day Adventist church entities, Divisions, and net grant project funds advanced or unexpended as of year-end, separate from regular affiliate activity. The component for grant project funds advanced and unexpended due to affiliate is \$809,189, and due from affiliates is \$5,807,010 as of December 31, 2021 and 2020, 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 \$606,996 and \$651,570, resulting in a net receivable of \$821,190 and \$816,154 for the years ended December 31, 2021 and 2020, 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 for the years ended December 31, 2021 and 2020.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2021 and 2020 was \$24,976 and \$72,283 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, 2021 and 2020 totaling \$5,499,135 and \$14,457,347, 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, 2021 and 2020 was \$572,442 and \$509,316 respectively, which is included in Investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2021 and 2020 totaling \$65,522,292 and \$40,650,620 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, 2021 and 2020 as follows:

	2021	2020
Disaster and famine relief offering	\$ 2,250,992	\$ 1,774,572
Institutional Support	-	7,070
Tithe	224,381	224,381
Non tithe	455,246	488,677
Rent	366,815	366,815
Appropriations for field offices	2,135,894	2,394,059
	<u>\$ 5,433,329</u>	<u>\$ 5,255,574</u>

As of December 31, 2021 and 2020, ADRA passed through \$74,047,534 and \$60,100,633, respectively, of U.S government grants to affiliate implementing partners. All USAID grant related direct expenses incurred by the affiliate implementing partners are recorded as direct expenses of ADRA.

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for the years ended December 31, 2021 and December 31, 2020

9. Amounts Due from Government Agency

Amounts due from government agency at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Amount due from government agency	\$ 3,648,461	\$ 3,768,747
Less allowance for uncollectible receivables	<u>(137,978)</u>	<u>(\$137,978)</u>
	<u>\$ 3,510,483</u>	<u>\$ 3,630,769</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>2021</u>	<u>2020</u>
<u>Less than one year</u>		
Estates and installments	\$ 632,595	\$ 469,914
Split-interest agreements	<u>7,500</u>	<u>\$7,500</u>
Contributions receivable - short term	\$ 640,095	\$ 477,414
<u>One to five years</u>		
Estates and installments	\$ 719,884	\$ 420,489
Split-interest agreements	1,872,423	1,470,829
<u>More than five years</u>		
Estates and installments	<u>-</u>	<u>16,484</u>
Contributions receivable – long term,	\$ 2,592,307	\$ 1,907,802
Total Contribution receivable - short term and long term	<u>\$ 3,232,402</u>	<u>\$ 2,385,216</u>

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

Present value adjustments	\$ 242,496	\$ 139,363
Allowance for uncollectible pledged contributions	\$ (2,610,742)	\$ (1,591,880)

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, 2021, and 2020, the outstanding pledge were \$650,000 and \$1,300,000, respectively.

ADRA had conditional grant contributions that were conditioned on incurring qualifying expenses. As of December 31, 2021 and 2020, the amounts of conditional contributions were \$66,531,469 and \$64,039,011, respectively.

11. Inventories

Inventories at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Purchased	\$ 336,781	\$ 162,138
Donated	<u>735,095</u>	<u>58,849</u>
	<u>\$ 1,071,876</u>	<u>\$ 220,987</u>

12. Furniture and Equipment

Furniture and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 1,240,344	\$ 1,292,209
Less accumulated depreciation	(899,645)	(828,796)
Assets under construction	<u>28,640</u>	<u>-</u>
	<u>\$ 369,339</u>	<u>\$ 463,413</u>

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13. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 are available for the following purposes:

	2021	2020
<u>Geographic Locations</u>		
Africa	\$ 284,088	\$ 280,606
Asia	362,775	367,053
Central America	337,887	192,912
Europe	58,848	52,290
North America	801,353	768,382
South America	15,599	14,073
South Pacific	1,995	63,179
<u>Purpose Restricted</u>		
Children	409,539	578,560
Economic development	736,823	403,326
Education	23,344	29,372
Emergency - disaster	4,297,978	2,176,990
Food	6,856,808	7,076,488
Grants	22,958	375,773
Health	3,220,859	3,044,844
Matching funds	180,000	45
Restricted as to time	3,231,343	2,377,716
Service programs	1,066,404	706,083
Term endowment	74,296	74,279
Women	126,844	94,123
Other (<i>Individually less than \$50,000</i>)	79,446	96,682
	<u>\$ 22,189,187</u>	<u>\$ 18,772,776</u>

Net assets released from donor restrictions during the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Satisfaction of purpose restrictions	\$ 10,347,608	\$ 16,852,925
Expiration of time restrictions	55,035	14,967
	<u>\$ 10,402,643</u>	<u>\$ 16,867,892</u>

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14. Functionalized Expense

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 on the basis detailed in Note 2 and are presented summarized by functional basis in the statement of activities and presented by functional expense and natural classifications in the statement of functional expenses.

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 effective as of December 31, 1999 and continues to be funded by contributions of the participating entities. Except for those choosing the career completion option, the Plan was "frozen" and the active participants' future benefits will be determined on the basis of service credit earned as of that date. The contributions are calculated as a percentage of audited remuneration data for the fiscal year ending two years prior to the billing period. Because it is a church affiliated plan it is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and no election has been made to fall under its provisions. 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, 2021 and 2020 retirement expense of the Retirement Plan contributions consist of the following:

	2021	2020
Retirement	\$ 706,238	\$ 590,168
Health Care	340,942	284,908
	<u>\$ 1,047,180</u>	<u>\$ 875,076</u>

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ADRA also participates in a multi-employer defined contribution retirement plan. The basic employer contribution rate is 5% of eligible wages. Beginning July 1, 2020, ADRA matches employee's contribution up to an additional 7%. Contributions to the defined contribution plan were \$987,539 and \$921,037 for 2021 and 2020, respectively.

16. Gifts in Kind

For the years ended December 31, 2021 and 2020, gifts in kind were received from other non-profit organizations of \$3,732,559 and \$8,429,568, respectively. For the years ended December 31, 2021 and 2020, gifts in kind were distributed to affiliate implementing partners of \$3,728,243 and \$8,491,553, respectively.

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 year 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 \$7,500,000 and \$10,100,000 was recorded as of December 31, 2021 and 2020 respectively as an estimated liability for NICRA pending finalized rate adjustments. 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, 2021 and 2020 was \$2,582,310 and \$3,284,676, 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.

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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 was recognized in 2021 as extinguishment of debt under non-operating other income.

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

Board designated fund balances as of December 31, 2021 and 2020, were available for the following purposes:

	2021	2020
Capacity Building - Africa	\$ 739,098	\$ 871,104
Advocacy	1,760,248	1,998,175
Information Technology Development	741,920	741,920
Social Enterprise	-	538,590
Network Trademark	39,707	197,362
Governance Study	1,000,000	1,000,000
Digital Marketing Strategy	500,000	-
Total Board designated funds	<u>\$ 4,780,973</u>	<u>\$ 5,347,151</u>