

**Adventist Development and
Relief Agency International**
Report on Consolidated Financial Statements
(with supplementary information)
For the Years Ended December 31, 2022 and 2021

Adventist Development and Relief Agency International
Index
December 31, 2022

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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 consolidated financial statements of Adventist Development and Relief Agency International (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related December 31, 2022 consolidated statements of activities, functional expenses, and the December 31, 2022 and 2021 cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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, 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 13, 2022. In our opinion, the summarized comparative information presented in the consolidated statements of activities and functional expenses for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Maney Costeiran PC

June 7, 2023

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2022 and December 31, 2021

ASSETS		
	2022	2021
Cash and cash equivalents	\$ 19,043,987	\$ 15,113,402
Investments	57,775,137	65,523,693
Net amount due from affiliates	4,962,695	1,969,832
Loans to affiliates	57,710	55,289
Amount due from government agency, net of allowance	1,022,073	3,510,482
Other receivables	735,323	222,704
Contributions receivable, net of allowances	1,301,665	640,095
Inventories	2,413,326	1,071,876
Prepaid inventory	99,717	-
Prepaid expenses	612,986	365,299
Furniture and equipment, net of accumulated depreciation	354,270	369,339
Agency funds	2,648,055	1,752,024
Contributions receivable - long term, net of allowances	3,285,556	2,592,307
Loans to affiliates - long term	317,482	370,353
 Total assets	 \$ 94,629,982	 \$ 93,556,695
LIABILITIES		
Accounts payable	\$ 1,456,891	\$ 1,668,783
Accrued expenses	6,950,590	8,065,327
Amount due to affiliates	2,104,514	1,791,624
Amount due to government agency	10,387,911	7,507,307
Amount due to other	2,382,208	4,164,875
Agency funds	2,648,035	1,752,024
 Total liabilities	 25,930,149	 24,949,940
NET ASSETS		
Without donor restrictions		
Undesignated	34,938,437	41,636,595
Designated by the Board <i>(Note 19)</i>	7,592,003	4,780,973
Total net assets without donor restrictions	42,530,440	46,417,568
With donor restrictions		
Restricted to purpose	21,579,789	18,957,844
Restricted to time	4,589,604	3,231,343
Total net assets with donor restrictions	26,169,393	22,189,187
 Total net assets	 68,699,833	 68,606,755
 Total liabilities and net assets	 \$ 94,629,982	 \$ 93,556,695

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	2022		2021	
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenue:				
U.S. Government support:				
Ocean and inland freight	\$ 917,404	\$ -	\$ 917,404	\$ 932,740
Grants - direct	73,091,634	-	73,091,634	83,938,630
Grants - subrecipient	1,380,485	-	1,380,485	2,816,757
Contributed nonfinancial assets	2,527,933	-	2,527,933	2,816,081
Public support:				
Seventh-day Adventist Church	5,454,234	-	5,454,234	5,066,514
Contributions	18,637,722	12,661,409	31,299,131	27,946,643
Contributed nonfinancial assets	604,179	2,431,222	3,035,401	4,099,374
Grants - other	4,989,745	-	4,989,745	5,753,791
Freight and handling fees reimbursement	3,575	-	3,575	951
Investment, net	886,584	(540,088)	346,496	814,892
Other revenue	395,150	69	395,219	169,445
Net assets released from restrictions:				
Satisfaction of program restrictions	10,572,406	(10,572,406)	-	-
Total support and revenue	\$ 119,461,051	\$ 3,980,206	\$ 123,441,257	\$ 134,355,818

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENT OF ACTIVITIES (CONT.)
for the year ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	2022		2021	
	Without donor restrictions	With donor restrictions	Total	Total
Expenses:				
Programs	\$ 100,418,105	\$ -	\$ 100,418,105	\$ 117,011,261
Fundraising	3,111,940	-	3,111,940	2,889,430
Public relations	1,701,628	-	1,701,628	836,975
Management and general	<u>9,608,586</u>	<u>-</u>	<u>9,608,586</u>	<u>5,936,688</u>
Total expenses	<u>114,840,259</u>	<u>-</u>	<u>114,840,259</u>	<u>126,674,354</u>
Net Increase (decrease) from operations	4,620,792	3,980,206	8,600,998	7,681,464
Nonoperating activity:				
Realized/unrealized gain/(loss) on investment	(8,603,826)	-	(8,603,826)	4,299,233
Extinguishment of debt gain	-	-	-	1,977,700
Consolidation of Goodone Global, LLC	<u>95,906</u>	<u>-</u>	<u>95,906</u>	<u>-</u>
Total Nonoperating activity	(8,507,920)	-	(8,507,920)	6,276,933
Change in net assets	(3,887,128)	3,980,206	93,078	13,958,397
Net assets, at beginning of year	<u>46,417,568</u>	<u>22,189,187</u>	<u>68,606,755</u>	<u>54,648,358</u>
Net assets, at end of year	<u>\$ 42,530,440</u>	<u>\$ 26,169,393</u>	<u>\$ 68,699,833</u>	<u>\$ 68,606,755</u>

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	Program Service	Supporting Services			Total	Total
	Humanitarian Programs	Fundraising	Public Relations	Management and General	2022	2021
Funding of ADRA International Programs						
Development and relief humanitarian programs	\$ 79,313,643	\$ -	\$ -	\$ -	\$ 79,313,643	\$ 90,697,341
Donated materials and services	4,850,991	-	-	-	4,850,991	8,936,711
Personnel and related costs	11,815,296	633,593	237,653	5,962,883	18,649,425	16,517,964
Travel	966,772	37,275	135,100	386,284	1,525,431	240,668
Rent	382,293	34,443	12,583	555,386	984,705	973,811
Depreciation	68,455	202	71	45,595	114,323	122,712
Maintenance and repairs	102,290	-	-	71,027	173,317	84,220
Management and administration	771,152	20,994	104,974	776,919	1,674,039	1,409,206
Materials and supplies	355,603	29,563	44,618	246,920	676,704	449,337
Postage and telecommunications	97,253	321,421	-	67,530	486,204	356,006
Professional services	1,645,051	563,056	874,841	1,228,575	4,311,523	4,437,621
Promotion and advertising	-	518,640	149,536	-	668,176	899,045
Publication and printing	5,042	932,761	15,151	3,501	956,455	924,596
Transportation, handling and warehousing	44,264	-	-	30,736	75,000	245,233
Other	-	19,992	127,101	233,230	380,323	379,883
Total expenses	<u>\$ 100,418,105</u>	<u>\$ 3,111,940</u>	<u>\$ 1,701,628</u>	<u>\$ 9,608,586</u>	<u>\$ 114,840,259</u>	<u>\$ 126,674,354</u>

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2022 and December 31, 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 93,078	\$ 13,958,397
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 114,323	\$ 122,712
Dividends reinvested	(856,846)	(572,439)
Realized/Unrealized (gain) loss on securities	8,603,825	(4,299,233)
Receipt of contributed securities	(49,222)	(76,061)
Sale of contributed securities	49,222	76,061
Bad debt expense	-	529
(Increase) decrease in net amounts due from affiliates	(2,992,863)	6,373,482
(Increase) decrease in amounts due from government agency	2,488,409	120,286
(Increase) decrease in other receivables	(512,619)	293,021
(Increase) decrease in contributions receivable	(661,570)	(162,681)
(Increase) decrease in inventories	(1,341,450)	(850,889)
(Increase) decrease in prepaid inventory	(99,717)	-
(Increase) decrease in prepaid expenses	(247,687)	(201,015)
(Increase) decrease in agency funds - asset	(896,031)	(453,638)
(Increase) decrease in contributions receivable - long term	(693,249)	(684,505)
Increase (decrease) in accounts payable	(211,892)	809,178
Increase (decrease) in accrued expenses	(1,114,737)	2,502,306
Increase (decrease) in amounts due to affiliates	312,890	700,837
Increase (decrease) in amounts due to government agency	2,880,604	(6,906,855)
Increase (decrease) in amounts due to other	(1,782,667)	(567,203)
Increase (decrease) in agency funds - liability	896,011	453,638
Total adjustments	3,884,734	(3,322,469)
Net cash provided by (used in) provided by operating activities:	\$ 3,977,812	\$ 10,635,928
Cash flows from investing activities:		
Sales of securities	\$ 1,577	\$ (20,000,000)
Payments from affiliates	50,450	29,953
Purchases of furniture and equipment	(99,254)	(28,638)
Net cash provided by (used in) investing activities:	\$ (47,227)	\$ (19,998,685)
Cash flows from financing activities:		
Proceeds from PPP loan	-	(1,977,700)
Net cash flows (used in) provided by financing activities:	\$ -	\$ (1,977,700)
Net increase (decrease) in cash and cash equivalents	3,930,585	(11,340,457)
Cash and cash equivalents at beginning of year	15,113,402	26,453,859
Cash and cash equivalents at end of year	\$ 19,043,987	\$ 15,113,402
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ 49,222	\$ 76,061
Reinvested dividends and interest	\$ 856,846	\$ 572,439
Non cash financing activities		
PPP Loan forgiveness	-	1,977,700

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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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.

Goodone Global, LLC 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. On April 1, 2022, Goodone Global, LLC acquired Goodone Foods NZ Limited, a for-profit entity in New Zealand which provides quality, sustainable, and ethically sourced products.

2. Summary of Significant Accounting Policies

Basis of Accounting

ADRA's consolidated 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 consolidated 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 consolidated 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, 2021, from which the summarized information was derived.

Principles of Consolidation

The consolidated financial statements include the accounts of ADRA and its wholly owned subsidiary, Goodone Global, LLC. All material intercompany transactions have been eliminated in consolidation.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

Use of Estimates

The preparation of consolidated 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 consolidated 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.

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 Consolidated 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.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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.

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 Consolidated 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.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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 Consolidated 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.

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.

Contributions of Nonfinancial Assets

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 CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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:

<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
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.

Goodone Foods NZ Limited, a wholly-owned subsidiary of Goodone Global, LLC, is a for-profit New Zealand limited company subject to a corporate income tax rate of 28%.

Advertising

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

Recently Adopted 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

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

presentation and disclosure. This standard is required to be adopted retrospectively for comparative financial statements. ADRA adopted this standard effective January 1, 2022. The adoption of this standard did not have a material effect on the consolidated financial statements as disclosed in Note 16.

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 Consolidated 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. ADRA adopted this standard effective January 1, 2022, and did not enter into any lease agreements, therefore, the adoption of this standard did not have any impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), with its new standard on accounting for allowance for loan losses. The update will be effective for years beginning after December 15, 2022. The guidance introduces an approach based on expected losses to estimate credit losses on certain financial instruments. The new model, referred to as the current expected credit losses (CECL) model, will apply to financial assets subject to credit losses and measured at amortized cost which includes loans and trade receivables. This ASU also expands the disclosure requirements regarding an organization's assumptions, models, and methods for estimating the allowance for loan losses. Management is currently evaluating the impact of ASU 2016-13 on ADRA's consolidated financial statements that may include changes in processes and presentation because of the new standard.

Subsequent Events

Subsequent events have been evaluated through June 7, 2023, which is the date the consolidated financial statements were available to be issued.

3. Concentration of Revenue Risk

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 2022 and 2021 respectively, ADRA received 62% and 67% of its total revenue from USAID directly, and 1% and 2% 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.

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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, 2022, and 2021, deposits of \$7,823,549 and \$6,814,924, 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.

5. Liquidity and Availability of Resources

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 19,043,987	\$ 15,113,402
Investments	57,775,137	65,523,693
Net amount due from affiliates	4,962,695	1,969,832
Loan to affiliates - current portion	57,710	55,289
Net amounts due from government agencies	1,022,073	3,510,482
Other receivables	735,323	222,704
Contribution receivables	<u>1,301,665</u>	<u>640,095</u>
Total financial assets at year-end	\$ 84,898,590	\$ 87,035,497
Less: Donor -imposed restrictions:		
Subject to expenditure for specified purpose	<u>(21,579,789)</u>	<u>(18,957,844)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	\$ 63,318,801	\$ 68,077,653
Less: Net assets designated by the Board	<u>(7,592,003)</u>	<u>(4,780,973)</u>
Financial assets available to meet needs for general expenditures within one year	<u>\$ 55,726,798</u>	<u>\$ 63,296,680</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 ADRA'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.

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ADRA invests cash in excess of its immediate requirements in the GC Money Fund that is classified as a cash equivalent in the Consolidated 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.

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, 2022 and 2021, consist of:

	2022			
	Level 1	Level 2	Level 3	Total
General Conference Money Fund ¹	\$ -	\$ 10,722,852	\$ -	\$ 10,722,852
Investments (<i>see note 7</i>)	-	-	1,401	1,401
Split-interest ²	-	-	1,480,642	1,480,642
Total assets measured at fair value	<u>\$ -</u>	<u>\$ 10,722,852</u>	<u>\$ 1,482,043</u>	<u>\$ 12,204,895</u>
Investments measured at NAV ³	-	-	-	57,773,736
(<i>see note 7</i>)				
Total assets	<u>\$ -</u>	<u>\$ 10,722,852</u>	<u>\$ 1,482,043</u>	<u>\$ 69,978,631</u>

	2021			
	Level 1	Level 2	Level 3	Total
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	<u>\$ -</u>	<u>\$ 5,499,135</u>	<u>\$ 1,881,324</u>	<u>\$ 7,380,459</u>
Investments measured at NAV ³	-	-	-	65,522,292
(<i>see note 7</i>)				
Total assets	<u>\$ -</u>	<u>\$ 5,499,135</u>	<u>\$ 1,881,324</u>	<u>\$ 72,902,751</u>

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 United 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2022 and December 31, 2021

7. Investments

Investments as of December 31, 2022 and 2021, 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.

	2022			2021		
	Cost	Fair Value	Unrealized Appreciation (Decline)	Cost	Fair Value	Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 7,519,386	\$ 12,312,882	\$ 4,793,496	\$ 7,311,184	\$ 13,963,601	\$ 6,652,417
Unitized GC International fund	9,857,058	6,036,585	(3,820,473)	9,699,360	6,812,971	(2,886,389)
Unitized GC Small Cap/US Equity Fund	2,513,863	3,175,682	661,819	2,466,716	3,713,706	1,246,990
Unitized GC Emerging Markets Fund	2,985,160	1,816,364	(1,168,796)	2,968,454	2,276,786	(691,668)
Unitized GC Income Fund	11,724,408	11,608,379	(116,029)	11,432,398	12,736,172	1,303,774
Unitized GC Bond Fund	5,459,929	4,894,198	(565,731)	5,365,827	5,420,515	54,688
Unitized Capital Preservation Fund	2,743,148	2,621,515	(121,633)	2,702,166	2,703,023	857
Unitized Global Opportunities Fund	3,594,066	3,758,483	164,417	3,594,066	4,106,894	512,828
Unitized GC Tactical Fund	13,068,000	11,549,648	(1,518,352)	13,068,000	13,788,624	720,624
Donated Stock & Other Securities	1,401	1,401	-	1,401	1,401	-
	<u>\$ 59,466,419</u>	<u>\$ 57,775,137</u>	<u>\$ (1,691,282)</u>	<u>\$ 58,609,572</u>	<u>\$ 65,523,693</u>	<u>\$ 6,914,121</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
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8. Transactions with Affiliated Entities

Amounts due from (to) affiliates at December 31, 2022 and 2021 consist of the following:

	2022	2021
Net amounts due from affiliates:		
ADRA – Brazil	\$ 643	\$ -
ADRA – Canada	1,317	164
ADRA – Chad	-	450
ADRA – Democratic Republic of Congo	44,863	-
ADRA – Ghana	2,119	-
ADRA – Honduras	75	-
ADRA – India	9,271	248,814
ADRA – Kenya	-	4,093
ADRA – Madagascar	3,150	139,990
ADRA – Mozambique	3,280	88,168
ADRA – Sudan	14,609	-
ADRA – Syria	431,678	590,029
ADRA – Uganda	-	74,908
ADRA – Venezuela	-	1,875
ADRA – Zimbabwe	3,750	-
General Conference	945,838	821,191
North American Division	-	150
Other affiliated organizations	3,502,102	-
	\$ 4,962,695	\$ 1,969,832
Amounts due to affiliates:		
ADRA – Africa Regional Office	\$ 442,871	\$ 105,836
ADRA – Asia Regional Office	200,239	39,759
ADRA – Democratic Republic of Congo	-	9,245
ADRA – Kenya	18,615	-
ADRA – Lebanon	333,448	-
ADRA – Myanmar	255,759	92,383
ADRA – Nepal	2,571	-
ADRA – Sudan	-	155
ADRA – Ukraine	17,030	-
ADRA – Venezuela	118,889	-
ADRA – Yemen	376,586	501,127
Other affiliated organizations	338,506	1,043,119
	\$ 2,104,514	\$ 1,791,624

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

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for the years ended December 31, 2022 and December 31, 2021

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 from affiliates is \$3,301,140, and due to affiliate is \$809,189 as of December 31, 2022 and 2021, respectively.

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 \$605,050 and \$606,996, resulting in a net receivable of \$945,838 and \$821,190 for the years ended December 31, 2022 and 2021, respectively.

ADRA has its principal office in the facility owned by the General Conference. The rental value of that facility has been recognized as a contributed nonfinancial asset in the Consolidated Statement of Activities and is included in the Seventh-day Adventist Church public support. The amount was \$379,653 and \$366,815 for the years ended December 31, 2022 and 2021, respectively.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2022, and 2021 was \$111,845 and \$24,976, respectively, which is included in investment and other revenue, net in the Consolidated Statement of Activities. These earnings were generated from the General Conference Money Fund ending balances as of December 31, 2022, and 2021 totaling \$10,722,852 and \$5,499,135, respectively, and which are reflected in the Consolidated 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, 2022, and 2021 was \$856,846 and \$572,442, respectively, which is included in investment and other revenue in the Consolidated Statement of Activities. These earnings relate to investments held as of December 31, 2022, and 2021 totaling \$57,773,736 and \$65,522,292, respectively. See Note 7 for additional disclosure.

Contributions from the Seventh-day Adventist Church are reflected in the Consolidated Statement of Activities for the years ended December 31, 2022, and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Disaster and famine relief offering	\$ 2,457,891	\$ 2,250,992
Tithe	224,381	224,381
Non tithe	605,050	455,246
Rent	379,653	366,815
Appropriations for field offices	<u>2,166,911</u>	<u>2,135,894</u>
	<u>\$ 5,833,887</u>	<u>\$ 5,433,329</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2022 and December 31, 2021

As of December 31, 2022 and 2021, ADRA passed through \$63,641,624 and \$74,047,534, 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.

9. Amounts Due from Government Agency

Amounts due from government agency at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Amount due from government agency	\$ 1,160,051	\$ 3,648,460
Less allowance for uncollectible receivables	<u>(137,978)</u>	<u>(137,978)</u>
	<u>\$ 1,022,073</u>	<u>\$ 3,510,482</u>

10. Contributions Receivable and Conditional Contributions

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>2022</u>	<u>2021</u>
<u>Less than one year</u>		
Estates and installments	\$ 1,294,165	\$ 632,595
Split-interest agreements	<u>7,500</u>	<u>7,500</u>
Contributions receivable - short term	\$ 1,301,665	\$ 640,095
<u>One to five years</u>		
Estates and installments	\$ 1,812,415	\$ 719,884
Split-interest agreements	1,473,141	1,872,423
<u>More than five years</u>		
Estates and installments	<u>-</u>	<u>-</u>
Contributions receivable – long term, net of allowances	\$ 3,285,556	\$ 2,592,307
Total contributions receivable - short term and long term	<u>\$ 4,587,221</u>	<u>\$ 3,232,402</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Contributions receivables are presented net of present value adjustments and allowances for uncollectible pledges.

Present value discounts	\$	36,847	\$	242,496
Allowance for uncollectible pledged contribution	\$	(1,147,930)	\$	(2,610,742)

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, 2022, the outstanding pledge was satisfied. As of December 31, 2021, the outstanding pledge was \$650,000.

ADRA had conditional grant contributions that were conditioned on incurring qualifying expenses. As of December 31, 2022 and 2021, the amounts of conditional contributions were \$65,649,162 and \$66,531,469, respectively.

11. Inventories

Inventories at December 31, 2022 and 2021 consist of the following:

	2022	2021
Purchased	\$ 428,136	\$ 336,781
Donated	1,985,190	735,095
Total inventory - ADRA	\$ 2,413,326	\$ 1,071,876

12. Furniture and Equipment

Furniture and equipment at December 31, 2022 and 2021 consists of the following:

	2022	2021
Furniture and equipment	\$ 1,314,728	\$ 1,240,344
Less accumulated depreciation	(1,003,870)	(899,645)
Assets under construction	43,412	28,640
	\$ 354,270	\$ 369,339

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

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for the years ended December 31, 2022 and December 31, 2021

13. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
<u>Geographic Locations</u>		
Africa	\$ 351,426	\$ 284,088
Asia	402,755	362,775
Central America	368,777	337,887
Europe	781,385	58,848
North America	828,635	801,353
South America	19,363	15,599
South Pacific	2,380	1,995
 <u>Purpose Restricted</u>		
Children	88,006	409,539
Economic development	1,028,769	736,823
Education	23,344	23,344
Emergency - disaster	6,792,364	4,297,978
Food	5,633,122	6,856,808
Grants	22,958	22,958
Health	3,422,710	3,220,859
Matching funds	103,512	180,000
Restricted as to time	4,589,604	3,231,343
Service programs	1,429,131	1,066,404
Term endowment	74,365	74,296
Women	130,506	126,844
Other (<i>individually less than \$50,000 each</i>)	76,281	79,446
	<u>\$ 26,169,393</u>	<u>\$ 22,189,187</u>

Net assets released from donor restrictions during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions	\$ 10,511,391	\$ 10,347,608
Expiration of time restrictions	<u>61,015</u>	<u>55,035</u>
	<u>\$ 10,572,406</u>	<u>\$ 10,402,643</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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 consolidated 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 active through 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, 2022 and 2021 retirement expense of the Retirement Plan contributions consist of the following:

	<u>2022</u>	<u>2021</u>
Retirement	\$ 778,152	\$ 706,238
Health Care	<u>375,660</u>	<u>340,942</u>
	<u>\$ 1,153,812</u>	<u>\$ 1,047,180</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

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for the years ended December 31, 2022 and December 31, 2021

ADRA also participates in a multi-employer defined contribution retirement plan. The basic employer contribution rate is 5% of eligible wages. Beginning July 1, 2021, ADRA matches employee's contribution up to an additional 7%. Contributions to the defined contribution plan were \$1,123,681 and \$987,539 for 2022 and 2021, respectively.

16. Contributed Nonfinancial Assets

For the years ended December 31, 2022 and 2021, respectively, contributed nonfinancial assets recognized within the Consolidated Statement of Activities included:

	2022	2021
Food	\$ 2,769,224	\$ 3,126,732
Medical Supplies	2,189,931	3,365,417
Transportation Services	224,526	56,491
Facilities	379,653	366,815
	\$ 5,563,334	\$ 6,915,455

ADRA recognized contributed nonfinancial assets within revenue, including food, medical supplies, transportation services, and use of facilities. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed purpose restrictions.

Contributed food was utilized in Emergency Response programs. Valuation of donated food commodities from the U.S. Government for distribution is provided by the Commodity Credit Corporation (CCC). Contributions may be held in inventory at year-end, resulting in timing differences between their receipt and utilization in programs.

Contributed medical supplies were utilized in Emergency Response programs. ADRA estimated the fair value at the date of receipt through reference to available fair values for similar items.

Contributed transportation services recognized comprise of shipping of food and medical supplies for Emergency Response programs. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar transportation services.

ADRA has its principal office in the facility owned by the General Conference. ADRA estimated the fair value of the use of the facility at the estimated fair value of similar rental space.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2022 and December 31, 2021

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 was recorded as of December 31, 2022 and 2021, 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, 2022 and 2021 was \$2,799,794 and \$2,582,310, 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.

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 consolidated financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2022 and December 31, 2021

19. ADRA Board Designated Funds

Board designated fund balances as of December 31, 2022 and 2021, were available for the following purposes:

	2022	2021
Capacity Building - Africa	\$ 739,098	\$ 739,098
Advocacy	1,610,985	1,760,248
Information Technology Development	741,920	741,920
Network Trademark	-	39,707
Governance Study	1,000,000	1,000,000
Digital Marketing Strategy	500,000	500,000
Program Capacity and Risk Mitigation	3,000,000	-
Total Board designated Funds	\$ 7,592,003	\$ 4,780,973

SUPPLEMENTAL INFORMATION

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
as of December 31, 2022

ASSETS

	ADRA	Goodone Global, LLC	Eliminations	Total 2022
Cash and cash equivalents	\$ 18,915,924	\$ 128,063	\$ -	\$ 19,043,987
Investments	58,033,870	-	(258,733)	57,775,137
Net amount due from affiliates	4,962,695	-	-	4,962,695
Loans to affiliates	57,710	-	-	57,710
Amount due from government agency, net of allowance	1,022,073	-	-	1,022,073
Other receivables	725,274	10,049	-	735,323
Contributions receivable, net of allowances	1,301,665	-	-	1,301,665
Inventories	2,364,531	48,795	-	2,413,326
Prepaid inventory	-	99,717	-	99,717
Prepaid expenses	588,371	24,615	-	612,986
Furniture and equipment, net of accumulated depreciation	354,270	-	-	354,270
Agency funds	2,648,055	-	-	2,648,055
Contributions receivable - long term, net of allowances	3,285,556	-	-	3,285,556
Loans to affiliates - long term	317,482	-	-	317,482
	<u>\$ 94,577,476</u>	<u>\$ 311,239</u>	<u>\$ (258,733)</u>	<u>\$ 94,629,982</u>
Total assets				

LIABILITIES

Accounts payable	\$ 1,404,385	\$ 52,506	\$ -	1,456,891
Accrued expenses	6,950,590	-	-	6,950,590
Amount due to affiliates	2,104,514	-	-	2,104,514
Amount due to government agency	10,387,911	-	-	10,387,911
Amount due to other	2,382,208	-	-	2,382,208
Agency funds	2,648,035	-	-	2,648,035
	<u>25,877,643</u>	<u>52,506</u>	<u>-</u>	<u>25,930,149</u>
Total liabilities				

NET ASSETS

Without donor restrictions				
Undesignated	\$ 34,938,437	\$ 258,733	\$ (258,733)	34,938,437
Designated by the Board <i>(Note 19)</i>	7,592,003	-	-	7,592,003
Total net assets without donor restrictions	42,530,440	258,733	(258,733)	42,530,440
With donor restrictions				
Restricted to purpose	21,579,789	-	-	21,579,789
Restricted to time	4,589,604	-	-	4,589,604
Total net assets with donor restrictions	26,169,393	-	-	26,169,393
	<u>68,699,833</u>	<u>258,733</u>	<u>(258,733)</u>	<u>68,699,833</u>
Total net assets				
Total liabilities and net assets	<u>\$ 94,577,476</u>	<u>\$ 311,239</u>	<u>\$ (258,733)</u>	<u>\$ 94,629,982</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
CONSOLIDATING SCHEDULE OF ACTIVITIES
for the year ended December 31, 2022

	2022			
	ADRA	Goodone Global, LLC	Eliminations	Total
Support and revenue:				
U.S. Government support:				
Ocean and inland freight	\$ 917,404	\$ -	\$ -	\$ 917,404
Grants - direct	73,091,634	-	-	73,091,634
Grants - subrecipient	1,380,485	-	-	1,380,485
Contributed nonfinancial assets	2,527,933	-	-	2,527,933
Public support:				
Seventh-day Adventist Church	5,454,234	-	-	5,454,234
Contributions	31,299,131	-	-	31,299,131
Contributed nonfinancial assets	3,035,401	-	-	3,035,401
Grants - other	4,989,745	-	-	4,989,745
Freight and handling fees reimbursement	3,575	-	-	3,575
Investment, net	345,028	1,468	-	346,496
Other revenue	356,307	38,912	-	395,219
Net assets released from restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total support and revenue	<u>\$ 123,400,877</u>	<u>\$ 40,380</u>	<u>\$ -</u>	<u>\$ 123,441,257</u>
Expenses:				
Programs	\$ 100,418,105	\$ -	\$ -	\$ 100,418,105
Fundraising	3,111,940	-	-	3,111,940
Public relations	1,701,628	-	-	1,701,628
Management and general	9,531,033	77,553	-	9,608,586
Total expenses	<u>114,762,706</u>	<u>77,553</u>	<u>-</u>	<u>114,840,259</u>
Net Increase (decrease) from operations	8,638,171	(37,173)	-	8,600,998
Nonoperating activity:				
Realized/unrealized gain/(loss) on investment	(8,603,826)	-	-	(8,603,826)
Change in value of investment in subsidiary	58,733	-	(58,733)	-
Consolidation of Goodone Global, LLC	-	295,906	(200,000)	95,906
Total Nonoperating activity	(8,545,093)	295,906	(258,733)	(8,507,920)
Change in net assets	93,078	258,733	(258,733)	93,078
Net assets, at beginning of year	<u>68,606,755</u>	<u>-</u>	<u>-</u>	<u>68,606,755</u>
Net assets, at end of year	<u>\$ 68,699,833</u>	<u>\$ 258,733</u>	<u>\$ (258,733)</u>	<u>\$ 68,699,833</u>