



AMAZIMA MINISTRIES INTERNATIONAL,
EDUCATION AND EMPOWERMENT FOR EAST AFRICA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Amazima Ministries International, Education and Empowerment for East Africa
Franklin, Tennessee

We have audited the accompanying consolidated financial statements of Amazima Ministries International, Education and Empowerment for East Africa ("the Ministry"), which consist of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministry's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amazima Ministries International, Education and Empowerment for East Africa as of December 31, 2020, the consolidated changes in its net assets, and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note K, during 2020, the Ministry identified and made certain corrections to its consolidated financial statements related to transactions and activities that occurred in prior years. The corrections decreased net assets by \$9,196,051 as of January 1, 2020. Our opinion is not modified with respect to this matter.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 12, 2021

BATTIS MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR EAST AFRICA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2020

ASSETS

ASSETS

Cash and cash equivalents	\$	6,423,610
Investments		10,187,196
Other assets		<u>13,899</u>
Total assets	\$	<u>16,624,705</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	<u>22,543</u>
Total liabilities		<u>22,543</u>

NET ASSETS

Without donor restrictions		14,074,004
With donor restrictions		<u>2,528,158</u>
Total net assets		<u>16,602,162</u>
Total liabilities and net assets	\$	<u>16,624,705</u>

AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR EAST AFRICA
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions without donor restrictions	\$ 4,222,946	\$ —	\$ 4,222,946
Contributions with donor restrictions	—	1,850,058	1,850,058
Investment income	852,489	—	852,489
Grant revenue	283,300	—	283,300
Other revenue	136,042	—	136,042
Net assets released from time and use restrictions	2,656,205	(2,656,205)	—
Total public support and revenue and net assets released from restrictions	8,150,982	(806,147)	7,344,835
EXPENSES			
Program	4,851,722	—	4,851,722
Management and general	566,938	—	566,938
Fundraising	480,898	—	480,898
Total expenses	5,899,558	—	5,899,558
CHANGE IN NET ASSETS	2,251,424	(806,147)	1,445,277
NET ASSETS - Beginning of year, as originally reported	21,018,631	3,334,305	24,352,936
PRIOR PERIOD ADJUSTMENT (See Note K)	(9,196,051)	—	(9,196,051)
NET ASSETS - Beginning of year, as restated	11,822,580	3,334,305	15,156,885
NET ASSETS - End of year	\$ 14,074,004	\$ 2,528,158	\$ 16,602,162

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR EAST AFRICA
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020

OPERATING CASH FLOWS	
Cash received from contributors	\$ 6,027,582
Investment income received	356,875
Cash received from other revenue	136,042
Cash paid for operating activities and costs	<u>(5,815,935)</u>
Net operating cash flows	<u>704,564</u>
INVESTING CASH FLOWS	
Net sales of investments	1,457,237
Purchases of and improvements to property and equipment	<u>(1,900)</u>
Net investing cash flows	<u>1,455,337</u>
FINANCING CASH FLOWS	
Proceeds from borrowings	<u>283,300</u>
Net financing cash flows	<u>283,300</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,443,201
CASH AND CASH EQUIVALENTS - Beginning of year	<u>3,980,409</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 6,423,610</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS	
Change in net assets	\$ 1,445,277
Adjustments to reconcile change in net assets to net operating cash flows	
Net gain on investments	(495,614)
Depreciation	15,399
Conversion of note payable to grant revenue	(283,300)
Change in other assets	12,056
Change in accounts payable and accrued expenses	<u>10,746</u>
Net operating cash flows	<u>\$ 704,564</u>

SUPPLEMENTAL DISCLOSURE

During 2020, \$283,300 of principal reductions of a certain note payable are included in "grant revenue" in the accompanying consolidated statement of activities. See Note F.

AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR EAST AFRICA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2020

	<u>Program activities</u>	<u>Supporting activities</u>		<u>Total expenses</u>
		<u>Management and general</u>	<u>Fundraising</u>	
Grants to foreign entities	\$ 3,248,695	\$ —	\$ —	\$ 3,248,695
Salaries and benefits	747,489	324,395	257,221	1,329,105
Professional fees	265,497	28,593	34,367	328,457
Office expenses	163,304	86,369	72,890	322,563
Other expenses	217,590	34,370	2,111	254,071
Occupancy	129,749	77,518	30,871	238,138
Conference and travel	<u>79,398</u>	<u>15,693</u>	<u>83,438</u>	<u>178,529</u>
Total expenses	<u>\$ 4,851,722</u>	<u>\$ 566,938</u>	<u>\$ 480,898</u>	<u>\$ 5,899,558</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR EAST AFRICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES

Amazima Ministries International, Education and Empowerment for East Africa (“the Ministry”) is a not-for-profit Tennessee corporation whose purpose is to educate and empower the children of East Africa by providing them with education, health care, food, family, and spiritual, physical, and emotional encouragement. The Ministry’s vision is that every person served by the Ministry would know Christ and make Him known, resulting in transformed lives, restored relationships, and changed communities. The Ministry is funded primarily through contributions from businesses and individuals.

The Ministry’s ministries include:

Educational Activities – The Ministry directly supports the Amazima School (“the School”) in Uganda. The School is a Christ-centered primary and secondary school that exists to equip Ugandan students with the tools of learning and creative thinking to enable them to live fully for the glory of God. Through child sponsorships, children at the School receive meals, school supplies, medical care, and spiritual discipleship. In addition, children learn about Jesus and participate in Bible studies, worship, and other fellowship activities.

Medical Care – The Ministry helps provide care to those families whose children are at the School within the Jinja community who might not be able to afford medical care at the local hospital. Malaria treatment and prevention are also provided.

Vocational Projects – The Ministry partners with local Ugandans implementing self-sustaining vocational programs so the people of Uganda can have the joy of providing for their own families.

Community – The Ministry fosters spiritual growth activities and Bible studies in several villages in Uganda.

Other Programs – Other programs include the Ministry’s sale of jewelry made in Uganda and other activities not classified in the categories above.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Ministry include the accounts of Amazima Asset Trust (“the Trust”). The Trust was formed to hold certain assets for the support of the Ministry. The Ministry is the sole beneficiary and supported organization of the Trust. All significant interorganization balances have been eliminated in consolidation. References to “the Ministry” in these footnotes include both of the organizations described above, unless otherwise noted.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Ministry recognizes cash contributions as revenue when the contributions are received by the Ministry. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as “net assets released from time and use restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Ministry considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

**AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are carried at estimated fair value.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor imposed time and/or purpose restrictions.

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time.

Income taxes

The Ministry is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Tennessee law. The Ministry is further classified as a public charity and not a private foundation for federal tax purposes. The Trust is considered a grantor trust of the Ministry. The Ministry and the Trust have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those used in determining the estimated fair value of investments. Actual results could differ from the estimates.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Ministry’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Ministry of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), is effective for the Ministry’s 2020 consolidated financial statements. The ASU generally applies to organizations that enter into contracts with customers to transfer goods or services and establishes a performance obligation to revenue recognition. The adoption of the ASU had no effect on the Ministry’s consolidated net assets as of January 1, 2020, or the consolidated change in net assets for 2020.

Subsequent events

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through November 12, 2021, the date as of which the consolidated financial statements were available to be issued.

**AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the consolidated statement of financial position are as follows:

Cash and cash equivalents	\$ 6,423,610
Investments	<u>10,187,196</u>
Total financial assets available within one year for general expenditure	<u>\$ 16,610,806</u>

The Ministry is primarily supported by contributions. As part of the Ministry’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Donor-restricted net assets are available for general expenditure within one year of the date of the consolidated statement of financial position, because the restrictions on net assets are expected to be met by conducting the normal activities of the Ministry in the coming year. Management believes the Ministry has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Ministry maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Ministry has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Estimated fair values of assets measured on a recurring basis as of December 31, 2020, are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 6,753,919	\$ 6,753,919	\$ —	\$ —
Exchange traded funds	<u>3,433,277</u>	<u>3,433,277</u>	<u>—</u>	<u>—</u>
Total equity securities	<u>\$ 10,187,196</u>	<u>\$ 10,187,196</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE F - PAYCHECK PROTECTION PROGRAM

During 2020, the Ministry obtained a Paycheck Protection Program note payable (“PPP loan”) to a financial institution in the amount of \$283,300. The PPP loan was forgiven entirely by the Small Business Administration during 2020 based on the nature of the Ministry’s expenditures during an applicable period. Accordingly, the Ministry recognized grant revenue of \$283,300 in the accompanying consolidated statement of activities.

NOTE G - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were for the following purposes during 2020:

	<u>Balance January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance December 31</u>
Educational activities	\$ 3,334,305	\$ 1,602,217	\$ (2,408,364)	\$ 2,528,158
Medical care	—	128,713	(128,713)	—
Other	—	108,839	(108,839)	—
Vocational projects	<u>—</u>	<u>10,289</u>	<u>(10,289)</u>	<u>—</u>
Total	<u>\$ 3,334,305</u>	<u>\$ 1,850,058</u>	<u>\$ (2,656,205)</u>	<u>\$ 2,528,158</u>

NOTE H - RETIREMENT PLAN

The Ministry has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Ministry’s employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. The Plan requires the Ministry to make matching contributions of up to 3% of an employee’s annual compensation up to a maximum of 5% (increasing by 50% of salary deferrals between 3% and 5% of an employee’s annual compensation). The Plan also allows for discretionary employer contributions. The Ministry contributed approximately \$20,000 to the Plan during 2020.

**AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE I – OPERATING LEASES

The Ministry is obligated under a non-cancelable lease agreement for the use of certain office space. Total rent expense amounted to approximately \$168,000 for the year ended December 31, 2020.

Future minimum rental payments under the noncancelable operating lease is approximately as follows:

<u>Year Ending December 31,</u>	
2021	\$ 165,000
2022	172,000
2023	179,000
2024	187,000
2025	194,000
Thereafter	<u>218,000</u>
Total	<u>\$ 1,115,000</u>

NOTE J – RELATED PARTY TRANSACTIONS

In the furtherance of its mission, the Ministry cooperates in ministry with Amazima Ministries International, the Amazima School Limited by Guarantee, and Amazima Ministries International Limited (collectively referred to in these footnotes as “the foreign entities”), which are foreign entities domiciled in Uganda. While the Ministry exercises significant influence over the activities of the foreign entities, the Ministry does not “control” the foreign entities (as that term is defined under U.S. GAAP). During 2020, the Ministry provided assistance to the foreign entities in the form of cash and non-cash grants totaling \$3,248,695 which are included as “program expenses” in the accompanying consolidated statement of activities.

Following are the aggregate amounts as reported in the most recently available financial statements of the foreign entities as of and for the year ended December 31, 2020 (unaudited):

Total assets	\$ 10,264,661
Total liabilities	\$ 39
Total net assets	\$ 10,264,622
Total revenue	\$ 3,184,797
Total expenses	\$ 1,681,606
Total change in net assets	\$ 1,503,191

NOTE K – PRIOR PERIOD ADJUSTMENT

The Ministry previously reported in its consolidated financial statements the cash and cash equivalents, other assets, and property and equipment of the foreign entities (as described in Note J) with which the Ministry has a relationship but which the Ministry does not “control” (as that term is defined under U.S. GAAP). Accordingly, total assets and net assets as of January 1, 2020 were reduced by \$9,196,051.

**AMAZIMA MINISTRIES INTERNATIONAL, EDUCATION AND EMPOWERMENT FOR
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

NOTE K - PRIOR PERIOD ADJUSTMENT (Continued)

The corrections above, which have no effect on the results of the current year's activities, are summarized as follows:

Effect of adjusting cash and cash equivalents	\$ (547,926)
Effect of adjusting other assets	(4,626)
Effect of adjusting property and equipment	<u>(8,643,499)</u>
Total prior period adjustment to net assets (decrease)	<u>\$ (9,196,051)</u>

The effect of these corrections on the prior year's beginning net assets and changes in net assets has not been determined.