



HARVESTERS REACHING THE NATIONS,
INC.

Financial Statements
With Independent Auditors' Report

Year Ended March 31, 2020
and Fifteen Months Ended March 31, 2019

HARVESTERS REACHING THE NATIONS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harvesters Reaching the Nations, Inc.
Plano, Texas

We have audited the accompanying financial statements of Harvesters Reaching the Nations, Inc., which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and cash flows for the year and fifteen months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Harvesters Reaching the Nations, Inc.
Plano, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harvesters Reaching the Nations, Inc., as of March 31, 2020 and 2019, and the changes in its net assets and cash flows for the year and fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
September 4, 2020

HARVESTERS REACHING THE NATIONS, INC.

Statements of Financial Position

	March 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 563,625	\$ 563,246
Other assets	1,035	19,398
Property and equipment—net	1,394,211	1,492,902
Total Assets	<u>\$ 1,958,871</u>	<u>\$ 2,075,546</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 62,472</u>	<u>\$ 47,919</u>
Net assets:		
Net assets without donor restrictions	1,478,687	1,603,385
Net assets with donor restrictions	417,712	424,242
	<u>1,896,399</u>	<u>2,027,627</u>
Total Liabilities and Net Assets	<u>\$ 1,958,871</u>	<u>\$ 2,075,546</u>

See notes to financial statements

HARVESTERS REACHING THE NATIONS, INC.

Statements of Activities

	Year Ended March 31,			Fifteen Months Ended March 31,		
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 727,650	\$ 155,436	\$ 883,086	\$ 705,133	\$ 231,834	\$ 936,967
Sponsorship support	327,174	-	327,174	406,112	-	406,112
Contributed services	15,274	-	15,274	82,500	-	82,500
Program services fees	12,566	-	12,566	14,128	-	14,128
Interest income	172	-	172	392	-	392
Other income	3,192	-	3,192	1,515	-	1,515
Total Support and Revenue	1,086,028	155,436	1,241,464	1,209,780	231,834	1,441,614
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	161,966	(161,966)	-	399,462	(399,462)	-
Total reclassifications	161,966	(161,966)	-	399,462	(399,462)	-
EXPENSES:						
Program services:						
Program expenses	830,384	-	830,384	964,384	-	964,384
Supporting activities:						
General and administrative	296,131	-	296,131	297,889	-	297,889
Fundraising	246,177	-	246,177	257,249	-	257,249
	542,308	-	542,308	555,138	-	555,138
Total Expenses	1,372,692	-	1,372,692	1,519,522	-	1,519,522
Change in Net Assets	(124,698)	(6,530)	(131,228)	89,720	(167,628)	(77,908)
Net Assets, Beginning of Year	1,603,385	424,242	2,027,627	1,513,665	591,870	2,105,535
Net Assets, End of Year	\$ 1,478,687	\$ 417,712	\$ 1,896,399	\$ 1,603,385	\$ 424,242	\$ 2,027,627

See notes to financial statements

HARVESTERS REACHING THE NATIONS, INC.

Statement of Cash Flows

	Year Ended March 31, 2020	Fifteen Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (131,228)	\$ (77,908)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	144,537	180,065
Changes in operating assets and liabilities:		
Other assets	18,363	76,059
Accounts payable and accrued expenses	14,553	(7,412)
Net Cash Provided by Operating Activities	<u>46,225</u>	<u>170,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(45,846)</u>	<u>(143,836)</u>
Net Cash Used by Investing Activities	<u>(45,846)</u>	<u>(143,836)</u>
Net Change in Cash and Cash Equivalents	379	26,968
Cash and Cash Equivalents, Beginning of Year	<u>563,246</u>	<u>536,278</u>
Cash and Cash Equivalents, End of Year	<u>\$ 563,625</u>	<u>\$ 563,246</u>

See notes to financial statements

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

1. NATURE OF ORGANIZATION:

Harvesters Reaching the Nations, Inc., (the Organization) is a not-for-profit corporation that provides discipleship, education, and healthcare to orphans as well as vulnerable women and children in remote regions of the world. The Organization's primary operations consist of an orphanage, school, church, and hospital located in Yei and Terekeka, The Republic of South Sudan, Africa, and Uganda, Africa.

The Organization is incorporated in the state of Texas and operates as a non-profit religious organization under Section 501(c)(3) of the Internal Revenue Code (the Code). The Organization is not considered to be a private foundation under Section 509(a) of the Code. The Organization's primary source of revenue is contributions from various sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of the Organization. have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHANGE IN FISCAL YEAR

During the fifteen months ended March 31, 2019, the Organization elected to change their fiscal year from December 31 to March 31. The statements of activities and cash flows include the fifteen month period beginning January 1, 2018, and concluding on March 31, 2019.

CASH AND CASH EQUIVALENTS

Cash consists of cash held in checking accounts, both in Uganda and the U.S., and cash held on campus in Uganda and The Republic of South Sudan. The Organization has approximately \$81,000 and \$72,000 of cash held overseas, as of March 31, 2020 and 2019, respectively. These accounts may, at times, exceed federally insured limits. As of March 31, 2020 and 2019, the Organization had approximately \$322,000 and \$313,000 of cash balances exceeding federally insured limits, respectively. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT—NET

Property and equipment are recorded at cost. Contributed assets are recorded at estimated market value at the date of contribution. The Organization's capitalization policy requires property and equipment additions to have a cost greater than \$500. Additionally, the majority of the Organization's property and equipment is located overseas in Uganda and The Republic of South Sudan. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets ranging as follows:

Vehicles	5 years
Machinery and equipment	5-10 years
Buildings and improvements	20 years

OTHER ASSETS

Other assets consists of prepaid expenses, books held in inventory, and receivables.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are those currently available for use in the international ministries of Harvesters Reaching the Nations, Inc. under the direction of the board and those resources invested in property and equipment.

Net assets with donor restrictions are those stipulated by donors for specific operating purposes, including projects and support of staff ministries or for the acquisition of property and equipment, or those with time restrictions not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Sponsorship support consists of contributions given on a monthly basis by donors to sponsor the program needs of children in The Republic of South Sudan and Uganda.

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions.

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

CONTRIBUTED SERVICES

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. During the year and fifteen months ended March 31, 2020 and 2019, the Organization received \$15,274 and \$82,500, respectively, of contributed professional services from the executive director of the Organization. Contributed services are recorded at fair market value, and are included in contributed services on the statements of activities.

ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited. Depreciation is allocated based on usage of space. Salaries and other costs are allocated based on estimates of time and effort.

FOREIGN CURRENCY

The Organization has schools, orphanages, and a hospital located in The Republic of South Sudan and Uganda. The financial activities of these campuses are recorded and maintained in U.S. dollars. Contributions received and expenses paid in foreign currencies are recorded in U.S. dollars using the exchange rate applicable on the date of the transactions. For the year and fifteen months ended March 31, 2020 and 2019, exchange rate gains and losses were \$2,315 and \$1,379, respectively, and are included in other income on the statement of activities. The statements of financial position reflects the value of foreign currency accounts in U.S. dollars using the exchange rate as of March 31, 2020 and 2019.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958)–Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization adopted the provisions of this new standard as a resource recipient in the current year. Adoption of this standard did not have a material effect on the financial statements.

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of the statement of financial position sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date:

	March 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 563,625	\$ 563,246
Other receivables	210	983
	<u>563,835</u>	<u>564,229</u>
Less those not available within one year:		
Donor restricted funds—restricted for capital projects	<u>(344,767)</u>	<u>(364,608)</u>
Financial assets available for general expenditure within one year	<u>\$ 219,068</u>	<u>\$ 199,621</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization has \$34,323 and \$31,947 of funds restricted for missionary support, and \$38,622 and \$27,687 of restricted funds for other projects as of March 31, 2020 and 2019, respectively. These funds are considered available to meet general expenditures within one year.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of the following:

	March 31,	
	2020	2019
Buildings and improvements	\$ 1,768,974	\$ 1,779,351
Land improvements	75,539	71,651
Equipment	557,521	525,317
Vehicles	276,436	286,675
	<u>2,678,470</u>	<u>2,662,994</u>
Less accumulated depreciation	<u>(1,358,510)</u>	<u>(1,224,211)</u>
	1,319,960	1,438,783
Construction in progress	74,251	54,119
	<u>\$ 1,394,211</u>	<u>\$ 1,492,902</u>

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

5. NET ASSETS:

Net assets consist of the following:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Undesignated funds	\$ 84,476	\$ 110,483
Equity in property and equipment—net	<u>1,394,211</u>	<u>1,492,902</u>
	<u>\$ 1,478,687</u>	<u>\$ 1,603,385</u>
Net assets with donor restrictions:		
Capital improvements	\$ 344,767	\$ 364,608
Missionary support	34,323	31,947
Education fund	16,278	9,432
Medical fund	<u>22,344</u>	<u>18,255</u>
	<u>\$ 417,712</u>	<u>\$ 424,242</u>

6. COMMITMENTS:

The Organization was obligated under an operating lease for its office facilities under a lease commencing October 2014 and maturing September 2019. The Organization renewed the lease in October 2019 with a new maturity date of September 30, 2021. Monthly payments are \$755. Future minimum lease payments are as follows:

Year Ending March 31,

2021	\$ 9,065
2022	<u>4,534</u>
	<u>\$ 13,599</u>

The office rent expense totaled \$9,065 and \$10,265 for the year and fifteen months ended March 31, 2020 and 2019, respectively.

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

7. NATURAL CLASSIFICATION:

Expenses by natural classification consist of the following, for the year ended March 31, 2020:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 359,299	\$ 209,245	\$ 191,915	\$ 760,459
Depreciation	144,484	53	-	144,537
General supplies, food, clothing	140,749	883	496	142,128
Education fees and supplies	77,319	-	-	77,319
Travel	30,792	6,576	8,346	45,714
Licenses, fees, and dues	574	19,612	13,153	33,339
Other	6,921	15,785	4,228	26,934
Communications	21,642	3,600	1,449	26,691
Professional fees	-	23,772	-	23,772
Occupancy	12,994	9,065	-	22,059
Repairs and maintenance	27,147	108	-	27,255
Printing	-	678	16,683	17,361
Postage and shipping costs	50	1,537	9,907	11,494
Medical supplies	8,413	-	-	8,413
Insurance	-	5,217	-	5,217
	<u>\$ 830,384</u>	<u>\$ 296,131</u>	<u>\$ 246,177</u>	<u>\$ 1,372,692</u>

HARVESTERS REACHING THE NATIONS, INC.

Notes to Financial Statements

Year and Fifteen Months Ended March 31, 2020 and 2019

7. NATURAL CLASSIFICATION, continued:

Expenses by natural classification consist of the following, for the fifteen months ended March 31, 2019:

	Program	General and administrative	Fundraising	Total
Salaries and benefits	\$ 377,528	\$ 219,835	\$ 202,550	\$ 799,913
Depreciation	179,806	259	-	180,065
General supplies, food, clothing	173,430	622	533	174,585
Education fees and supplies	74,101	-	-	74,101
Travel	54,146	11,838	9,814	75,798
Licenses, fees, and dues	1,155	20,946	16,536	38,637
Other	42,882	7,070	423	50,375
Communications	21,453	5,246	1,974	28,673
Professional fees	-	13,324	-	13,324
Occupancy	14,375	10,265	-	24,640
Repairs and maintenance	9,489	235	157	9,881
Printing	-	897	14,954	15,851
Postage and shipping costs	-	2,112	10,308	12,420
Medical supplies	16,019	-	-	16,019
Insurance	-	5,240	-	5,240
	<u>\$ 964,384</u>	<u>\$ 297,889</u>	<u>\$ 257,249</u>	<u>\$ 1,519,522</u>

8. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the COVID-19 as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

9. RELATED PARTY TRANSACTIONS:

During the year and fifteen months ended March 31, 2020 and 2019, the Organization received approximately \$24,000 and \$51,000, respectively, in contributions from members of the board of directors.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 4, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.