

FAVOR INTERNATIONAL, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2020

**WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FAVOR INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Favor International, Inc.
Bradenton, Florida

We have audited the accompanying financial statements of Favor International, Inc. (a Not-for-Profit Entity), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matter – Report on Summarized Comparative information

The financial statements of Favor International, Inc. as of and for the year ended December 31, 2019 were audited by a predecessor auditor. The predecessor auditor's report, dated June 15, 2020, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it was derived.

Tampa, Florida
July 15, 2021

FAVOR INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,911,649	\$ 108,271
Promises to give	-	1,529
Prepaid expenses	595	293
Employee advances	-	3,178
	<u>2,912,244</u>	<u>113,271</u>
Total current assets		
	2,912,244	113,271
Property and equipment, net of accumulated depreciation	<u>1,795</u>	<u>3,796</u>
Total assets	<u>\$ 2,914,039</u>	<u>\$ 117,067</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ -	\$ 803
Payroll Protection Program loan	<u>21,490</u>	<u>-</u>
Total liabilities	<u>21,490</u>	<u>803</u>
Net assets		
Without donor restrictions	(52,706)	84,264
With donor restrictions	<u>2,945,255</u>	<u>32,000</u>
Total net assets	<u>2,892,549</u>	<u>116,264</u>
Total liabilities and net assets	<u>\$ 2,914,039</u>	<u>\$ 117,067</u>

See independent auditor's report and accompanying notes to the financial statements.

FAVOR INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions	\$ 2,143,245	\$ 2,945,255	\$ 5,088,500	\$ 1,687,701
Product sales	-	-	-	921
Other	1,817	-	1,817	3
Net assets released from restrictions	32,000	(32,000)	-	-
Total public support and other revenues	2,177,062	2,913,255	5,090,317	1,688,625
EXPENSES				
Program services	2,002,600	-	2,002,600	1,546,737
Supporting services				
Management and general	159,517	-	159,517	202,977
Fundraising	151,915	-	151,915	42,575
Total supporting services	311,432	-	311,432	245,552
Total expenses	2,314,032	-	2,314,032	1,792,289
Change in net assets	(136,970)	2,913,255	2,776,285	(103,664)
Net assets, beginning of year	84,264	32,000	116,264	219,928
Net assets, end of year	\$ (52,706)	\$ 2,945,255	\$ 2,892,549	\$ 116,264

See independent auditor's report and accompanying notes to the financial statements.

FAVOR INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Program Services	Supporting Services			Total Expenses	
		Management and General	Fundraising	Total Supporting Services	2020	2019
Personnel expenses						
Salaries	\$ 21,500	\$ 55,058	\$ 81,307	\$ 136,365	\$ 157,865	\$ 96,489
Payroll taxes	1,546	3,973	5,846	9,819	11,365	8,120
Employee benefits	-	3,343	-	3,343	3,343	21,741
	<u>23,046</u>	<u>62,374</u>	<u>87,153</u>	<u>149,527</u>	<u>172,573</u>	<u>126,350</u>
Other expenses						
Africa ministry	1,947,300	-	-	-	1,947,300	1,476,325
Outside services	-	46,276	271	46,547	46,547	38,927
Postage and printing	2,806	4,204	37,621	41,825	44,631	4,664
Legal and professional	-	21,523	10,041	31,564	31,564	64,908
Field supplies and equipment	22,300	1,119	-	1,119	23,419	39,344
Travel and entertainment	773	5,733	10,799	16,532	17,305	21,525
Bank and credit card fees	-	8,369	-	8,369	8,369	3,721
Benevolence	6,000	-	-	-	6,000	-
Information technology	-	2,861	1,003	3,864	3,864	3,085
Insurance	-	2,243	-	2,243	2,243	1,974
Taxes and licenses	-	1,184	80	1,264	1,264	-
Telephone	-	323	-	323	323	540
Promotional material	-	-	217	217	217	3,565
Repairs and maintenance	-	86	-	86	86	213
Other	375	1,221	4,730	5,951	6,326	5,341
	<u>2,002,600</u>	<u>157,516</u>	<u>151,915</u>	<u>309,431</u>	<u>2,312,031</u>	<u>1,790,482</u>
Total expenses before depreciation						
Depreciation	-	2,001	-	2,001	2,001	1,807
	<u>-</u>	<u>2,001</u>	<u>-</u>	<u>2,001</u>	<u>2,001</u>	<u>1,807</u>
Total expenses	\$ 2,002,600	\$ 159,517	\$ 151,915	\$ 311,432	\$ 2,314,032	\$ 1,792,289

See independent auditor's report and accompanying notes to the financial statements.

FAVOR INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,776,285	\$ (103,664)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,001	1,807
(Increase) Decrease in assets:		
Promises to give	1,529	(1,529)
Prepaid expenses	(302)	59
Deferred expenses	-	60,000
Inventory	-	13,339
Employee advances	3,178	25,322
Increase (Decrease) in liabilities:		
Accounts payable	(803)	803
Net cash provided by operating activities	<u>2,781,888</u>	<u>(3,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>-</u>	<u>(1,273)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program loan	<u>21,490</u>	<u>-</u>
Net change in cash and cash equivalents	2,803,378	(5,136)
Cash and cash equivalents, beginning of year	108,271	113,407
Cash and cash equivalents, end of year	<u>\$ 2,911,649</u>	<u>\$ 108,271</u>

See independent auditor's report and accompanying notes to the financial statements.

FAVOR INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 NATURE OF THE ORGANIZATION

Favor International, Inc. ("Favor" or the "Organization") was incorporated as a Not-for-Profit organization in 2015. Favor is a Christian-based organization that exists to provide spiritual and biblical guidance, humanitarian relief, and educational and economic development. The Organization builds churches and focuses on training and developing indigenous leaders to become pastors and missionaries. It is dedicated towards working with children, families, and communities primarily in Uganda and South Sudan. The Organization changed its name from Favour Africa Inc. to Favor International, Inc. in 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Favor have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Favor has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Under ASC 958, Favor is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. As such, Favor reports net asset information regarding its financial position and activities as follows: (1) net assets without restrictions, which include no donor-imposed restrictions and, therefore, are available for any purpose authorized by the Board of Directors (the "Board"); and (2) net assets with restrictions, which include donor-imposed restrictions that will expire in the future.

Revenue Recognition

Contributions are recorded at their fair market value on the date of receipt. All contributions are available for unrestricted use unless specifically designated by the donor. The Organization reports contributions restricted by donors as increases in net assets *without* donor restrictions if restrictions expire (that is, when either a stipulated time restriction ends or a purpose restriction is accomplished) in the same reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Support arising from donated, or in-kind, goods, property, and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. For the years ended December 31, 2020 and 2019, volunteers provided services to assist the Organization's management and fundraising functions for which

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no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under GAAP.

Cash and Cash Equivalents

Favor considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. Favor has a policy of capitalizing expenditures for property and equipment with costs greater than \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives. Computer and equipment are depreciated over a useful life of three years.

If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing Favor's programs and supporting services have been summarized on a functional basis in the Statements of Functional Expenses. Natural expenses directly attributable to a specific functional area of the Organization are reported as direct expenses of those functional areas. Personnel expenses are indirect costs that benefit multiple functional areas and have been allocated among the functional areas based on time and effort spent by employees.

Summarization and Reclassification of Certain 2019 Information

The financial information for the year ended December 31, 2019, presented for comparative purposes, is not intended to be a complete presentation. Certain 2019 amounts were reclassified to conform to the presentation in the current year. These reclassifications had no change on prior year reported changes in net assets or end of year net assets.

Federal Income Tax

Favor is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Management has evaluated Favor's tax position and concluded that no uncertain tax positions have been taken that would require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the FASB ASC. With few exceptions, the Organization is subject to income tax examinations for up to three years after tax returns are filed.

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Recent Accounting Pronouncements Adopted

The FASB issued new guidance relating to Topic 958. This update (ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*) is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions.

Subsequent Events

In accordance with FASB ASC 855, the Organization evaluated subsequent events through July 15, 2021, the date the financial statements were available for issue.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Favor's financial assets available for general expenditures, that is, without donor imposed or other restrictions limiting their use, within one year of the Balance Sheet date as of December 31 were as follows:

	2020	2019
Cash and equivalents	\$ 2,911,649	\$ 108,271
Promises to give	-	1,529
Current financial assets available to meet cash needs for general expenditures within one year	\$ 2,911,649	\$ 109,800

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2020	2019
Computer and equipment	\$ 6,003	\$ 6,003
Less: accumulated depreciation	(4,208)	(2,207)
Total property and equipment, net	\$ 1,795	\$ 3,796

Depreciation expense for each of the years ended December 31, 2020 and 2019 was approximately \$2,000.

NOTE 5 PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Organization received loan proceeds from a financial institution in the amount of approximately \$21,000 under the Paycheck Protection Program (the "PPP"), a program established under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). In accordance with the PPP funding agreement, the Organization's loan would be forgiven and converted into a grant once

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the Organization meets certain criteria related to its payroll, utility, and interest expenses over a specified measurement period. If not forgiven, the loan, plus interest at approximately 1.00% per year, would be due 24 months from the loan date.

Subsequent to year-end, Favor satisfied its PPP loan requirements, resulting in full forgiveness of the loan and conversion into a grant.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows as of December 31:

	2020	2019
Subject to purpose		
Community revitalization	\$ 1,200,000	\$ -
Training center property	500,000	-
Bibles	45,255	32,000
Subject to passage of time	1,200,000	-
	<u>\$ 2,945,255</u>	<u>\$ 32,000</u>

NOTE 7 CREDIT AND FUNDING CONCENTRATION

Financial instruments that potentially subject Favor to concentrations of credit risk consist primarily of bank deposits. Favor maintains bank accounts with balances which, at times, may exceed federally insured limits. Favor has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

Additionally, the Organization receives a significant portion of its funding from two separate individuals and a foundation which is a related-party to one of the individuals. For the years ended December 31, 2020 and 2019, approximately 81% and 71% of Favor's contributions, respectively, came from these funding sources. The success of the Organization's program services is significantly dependent upon continued support from these individuals.

NOTE 8 LEGAL SETTLEMENT

In 2019, the Organization paid \$46,000 in a legal settlement related to a contract dispute from 2016.

NOTE 9 CONTINGENCIES

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation

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measures worldwide. These measures could negatively impact the Organization's operations, vendors, and donors. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's operations or cash flows.

The Organization may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations.