

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
MARION, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

EQUIP, INC
DBA EQUIP, INTERNATIONAL
MARION, NORTH CAROLINA

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SUZAN H. SLUDER CPA PA

Suzan H. Sluder, CPA PA

Audit, Tax and Accounting

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Equip, Inc. DBA Equip International
Marion, North Carolina

Opinion

I have audited the accompanying financial statements of Equip, Inc. DBA Equip International (a non-profit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equip, Inc. DBA Equip International as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am required to be independent of Equip, Inc. DBA Equip International and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

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

P.O. Box 96 Arden, NC 28704

828-551-1669

suzan@sludercpa.com

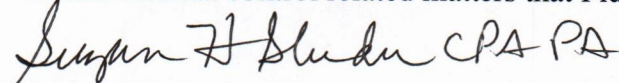
Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

I am 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 I identified during the audit.

 Susan H. Bluden CPA PA

Arden, North Carolina

October 31, 2023

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 339,336	\$ 170,506
Cash and cash equivalents-restricted	271,059	274,692
Certificates of deposit-restricted	514,031	510,398
Investments-annuities	517,533	508,607
Receivable from Equip-Canada	26,833	12,770
Sales tax receivable	750	794
Prepaid insurance	6,239	6,698
Total Current Assets	1,675,781	1,484,465
<u>PROPERTY AND EQUIPMENT</u>		
Land and land improvements	99,203	99,203
Buildings	454,008	454,008
Furnitures and fixtures	70,254	70,254
Leased office equipment	15,897	15,897
Computers	3,233	3,233
Vehicles	32,169	32,169
	674,764	674,764
Accumulated depreciation	(246,344)	(226,695)
Total Property and Equipment, net	428,420	448,069
TOTAL ASSETS	\$ 2,104,201	\$ 1,932,534

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Current portion of lease payable	\$ 3,261	\$ 2,966
Accounts payable	800	800
Deferred revenue - tuition	9,854	5,100
Total Current Liabilities	13,915	8,866
<u>LONG-TERM LIABILITIES:</u>		
Lease payable, net of current portion	5,366	8,771
Total long term liabilities	5,366	8,771
Total liabilities	19,281	17,637
<u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	593,005	488,187
Designated	210,550	193,551
Investment in property and equipment	419,793	448,069
Total net assets without donor restrictions	1,223,348	1,129,807
With donor restrictions	861,572	785,090
Total Net Assets	2,084,920	1,914,897
TOTAL LIABILITIES AND NET ASSETS	\$ 2,104,201	\$ 1,932,534

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

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 171,243	\$ 2,014,685	\$ 2,185,928
Tuition and deposits	42,611		42,611
Book sales	1,550		1,550
Rental income			0
Interest income	13,755		13,755
Net assets released from restrictions:			
Missionaries and specific projects	<u>1,938,203</u>	<u>(1,938,203)</u>	<u>0</u>
Total revenue and support	<u>2,167,362</u>	<u>76,482</u>	<u>2,243,844</u>
EXPENSES:			
Program services	1,543,539		1,543,539
Management and general	474,528		474,528
Fundraising	<u>55,754</u>		<u>55,754</u>
Total expenses	<u>2,073,821</u>		<u>2,073,821</u>
Increase (decrease) in net assets	93,541	76,482	170,023
Net assets at beginning of year, as restated	<u>1,129,807</u>	<u>785,090</u>	<u>1,914,897</u>
Net assets at end of year	<u>\$ 1,223,348</u>	<u>\$ 861,572</u>	<u>\$ 2,084,920</u>

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

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 6,472	\$ 2,081,764	\$ 2,088,236
Tuition and deposits	92,557		92,557
Book sales	970		970
Rental income	12,000		12,000
Interest income	10,032		10,032
Net assets released from restrictions:			
Missionaries and specific projects	<u>2,119,995</u>	<u>(2,119,995)</u>	<u>0</u>
Total revenue and support	<u>2,242,026</u>	<u>(38,231)</u>	<u>2,203,795</u>
EXPENSES:			
Program services	1,630,098		1,630,098
Management and general	476,571		476,571
Fundraising	<u>71,361</u>		<u>71,361</u>
Total expenses	<u>2,178,030</u>		<u>2,178,030</u>
Increase (decrease) in net assets	63,996	(38,231)	25,765
Net assets at beginning of year, as restated	<u>1,065,811</u>	<u>823,321</u>	<u>1,889,132</u>
Net assets at end of year	<u>\$ 1,129,807</u>	<u>\$ 785,090</u>	<u>\$ 1,914,897</u>

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

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Wages and missionary support	\$ 812,861	\$ 310,578	\$ 46,252	\$ 1,169,691
Payroll taxes	50,389	20,879	3,538	74,806
Benefits	22,313	500		22,813
Other health care costs	9,400	769		10,169
Travel	43,906	1,910	365	46,181
Housing and set up	10,032	913		10,945
Food costs	63,606	1,247	144	64,997
Medicine	4,136			4,136
Utilities	4,472	22,521		26,993
Textbook expense	16,397	59		16,456
Training	121,140	271		121,411
Benevolence	5,597			5,597
Office supplies	4,101	5,944		10,045
Postage and shipping	2,548	8,146	15	10,709
Computer/software	2,190	5,088		7,278
Printing and artwork	1,974	587		2,561
Promotion and development	1,799	13,054	3,940	18,793
Equipment and building purchase		783		783
Equipment and building rent	1,024	2,341		3,365
Equipment and building maintenance	38,028	4,496		42,524
Building supplies	21,725			21,725
Insurance		19,587		19,587
Vehicle expense	7,408	1,725		9,133
Conferences	3,240	6,812		10,052
Professional services accounting auditing		9,325		9,325
Professional services management consulting	49	1,667		1,716
Payroll professional services		3,291		3,291
Professional services- software support	4,770	13,056		17,826
Legal expenses	6,597			6,597
Bank charges and credit card fees	2,044	10,792		12,836
Licenses and permits	3,209			3,209
Dues and subscriptions	6,967	6,264		13,231
Other expense - field	240,743			240,743
Other missionary field expense	9,808	545	1,500	11,853
Life insurance	1,958			1,958
Other	48	299		347
Total expenses before depreciation	<u>1,524,479</u>	<u>473,449</u>	<u>55,754</u>	<u>2,053,682</u>
Interest		490		490
Depreciation and amortization	<u>19,060</u>	<u>589</u>		<u>19,649</u>
Total functional expenses	<u>\$ 1,543,539</u>	<u>\$ 474,528</u>	<u>\$ 55,754</u>	<u>\$ 2,073,821</u>

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

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Wages and missionary support	\$ 756,492	\$ 314,455	\$ 53,574	\$ 1,124,521
Payroll taxes	47,806	21,261	4,098	73,165
Benefits	33,766	4,005		37,771
Other health care costs	13,188	394		13,582
Travel	63,121	2,361	983	66,465
Housing and set up	7,617	1,024		8,641
Food costs	82,168	1,621	177	83,966
Medicine	6,093			6,093
Utilities	5,617	20,101	29	25,747
Rent	870			870
Textbook expense	499	104		603
Training Nationals/Scholarship	27,313			27,313
Training	47,313	99	500	47,912
Training/Honorarium	70,875		200	71,075
Benevolence	14,163			14,163
Work fund			7,500	7,500
Office supplies	2,575	3,735		6,310
Postage and shipping	5,131	6,328	89	11,548
Computer/software	6,628	5,819		12,447
Printing and artwork	1,447	1,515	627	3,589
Promotion	204	8,671	2,535	11,410
Garden Supplies	6,194	572	890	7,656
Equipment and building purchase	5,772			5,772
Equipment and building rent	1,951	3,039		4,990
Equipment and building maintenance	21,077	5,971		27,048
Building supplies	21,289	500		21,789
Insurance		21,646		21,646
Vehicle expense	4,498	5,068		9,566
Conferences	1,018	7,178		8,196
Professional services accounting auditing	156	4,875		5,031
Professional services management consulting		800		800
Professional services fundraising consulting		196		196
Payroll professional services	165	3,412		3,577
Professional services- software support	3,919	14,641		18,560
Legal expenses	2,652	76		2,728
Bank charges and credit card fees	2,118	7,986	9	10,113
Dues and registrations	2,343	2,130		4,473
Other expense - field	327,923			327,923
Equip Canada expenses	19,600			19,600
Life insurance		2,210		2,210
Other	159	457	150	766
Total expenses before depreciation	<u>1,613,720</u>	<u>472,250</u>	<u>71,361</u>	<u>2,157,331</u>
Interest		634		634
Depreciation and amortization	<u>16,378</u>	<u>3,687</u>		<u>20,065</u>
Total functional expenses	<u>\$ 1,630,098</u>	<u>\$ 476,571</u>	<u>\$ 71,361</u>	<u>\$ 2,178,030</u>

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

EQUIP, INC.
DBA EQUIP INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ 170,023	\$ 25,765
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	19,649	20,065
(Increase) decrease in assets:		
Receivable from Equip - Canada	(14,063)	(1,942)
Sales tax receivable	44	603
Prepaid insurance	459	747
Increase (decrease) in liabilities:		
Accounts payable		
Deferred revenue	4,754	2,400
	<u>180,866</u>	<u>47,638</u>
Net cash provided by (used for) operating activities		
<u>CASH FLOWS FROM INVESTMENT ACTIVITIES</u>		
Investment in property & equipment		
Purchase of investments	(8,926)	(166,158)
Investment in certificates of deposit	(3,633)	60,393
	<u>(12,559)</u>	<u>(105,765)</u>
Net cash provided by (used for) investment activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments under capital lease obligation	(3,110)	(2,966)
	<u>(3,110)</u>	<u>(2,966)</u>
Net cash provided by (used for) investment activities		
Net increase (decrease) in cash and cash equivalents	165,197	(61,093)
Cash and cash equivalents, beginning of year	445,198	506,291
Cash and cash equivalents, end of year	<u>\$ 610,395</u>	<u>\$ 445,198</u>

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

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ministry Overview

Equip, Inc dba Equip, International “Organization” is a non-profit, non-denominational Christian ministry headquartered in Marion, North Carolina. The Organization embraces an understanding of the Scriptures which clearly recognizes that the response of the believer to human need is an integral part of the Gospel. The love of Christ in us and through us must be demonstrated as well as heard as we bear witness.

Their mission, therefore, is to prepare, send and support evangelical missionaries to assist the church around the world to be:

- Responsive to the poor
- Sensitive to the Holy Spirit
- Focused on personal evangelism
- Practically engaged in strengthening the Body of Christ

Estimates

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of six months or less.

Net Assets

Board-Designated Net Assets

Net assets without donor restrictions are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other use.

Donor-Imposed Restrictions on Net Assets

A donor stipulation that specifies a use for a contributed asset that is more specific than board limits resulting from the following:

1. The nature of the not-for-profit entity
2. The environment in which it operates
3. The purpose specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual, for example, stipulating that resources be invested in perpetuity. Laws may extend those limits to investment returns from and other enhancements (diminishments) of those resources, thus extending donor-imposed restrictions (donors include other types of contributors, such as grantors).

Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c) 3 of the Internal Revenue Code and is classified as a public charity under Section 509 (a) (2) of the Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the year ended December 31, 2022 and 2021.

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Non-Cash Contributions and Donated Services

Donated property, marketable securities, and other noncash donations are recorded as contributions at their estimated market value at the date of donation. Unpaid volunteers have made contributions of their time and services in assisting the Organization in its daily operations. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Support and Revenue Recognition

Support restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

Fixed Assets and Depreciation

Acquisitions of equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. It is the Organization's policy to capitalize expenditures or donations of these items with values or costs in excess of \$5,000. Items of lesser amounts are expensed. Depreciation is computed annually using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to operating expense as incurred. Cost of renewals and betterments, which materially extend the useful lives of the assets or increase their productivity, are capitalized. Depreciation expense for the years ended December 31, 2022 and 2021 was \$ 19,649 and \$ 20,065, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization does not conduct activities that include fundraising appeals combined with program and support activities.

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Advertising

Advertising or promotion costs are expensed as incurred. Promotion expense was \$ 18,793 and \$ 11,410 for the years ended December 31, 2022 and 2021, respectively.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Management's assessment of accounts receivable at December 31, 2022 and 2021 determined that all accounts receivable were considered collectible. Accordingly, there was no provision for bad debt expense or related adjustment to the valuation allowance account for the year ended December 31, 2022 and 2021.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) for balances up to \$ 250,000. At certain times, the Organization's bank balances may exceed the FDIC limit. The Organization has not experienced any losses in those accounts.

NOTE C – RELATED PARTY TRANSACTIONS

Joint Venture

The Organization participates in a joint venture through a Joint Ministry Agreement with Equipping Christian Workers Society (Equip-Canada), based in Victoria, British Columbia. Both organizations share the same purpose. The Founder and Chaplain of the Organization is also the Interim President of Equip-Canada. Equip-Canada accepts donations for the Organization's missionaries that have Canadian donors. The Organization accepts donations on behalf of Equip-Canada. The Organization has six missionaries that have accounts with Canadian donors. Funds are reconciled and transferred quarterly. The Organization provides administrative services on behalf of Equip-Canada during the year. The type of services and related consideration were provided as follows:

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE C – RELATED PARTY TRANSACTIONS (CONTINUED)

Joint Venture (Continued)

For the year ending December 31, 2022:

Salaries and related expenses	\$ 50,667 (C\$ 68,400 in Canadian Dollars)
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At December 31, 2022, Equip-Canada owed the Organization \$ 26,833 (C\$ 36,343 in Canadian Dollars).

For the year ending December 31, 2021:

Salaries and related expenses	\$ 49,655 (C\$ 61,187 in Canadian Dollars)
Travel, office and promotion	\$ 269 (C\$ 331 in Canadian Dollars)

At December 31, 2021, Equip-Canada owed the Organization \$ 12,770 (C\$ 16,189 in Canadian Dollars).

Board Member Contributions

Contributions from the Organization’s board of directors totaled \$ 1,000 and \$ 2,044 for the years ended December 31, 2022 and 2021, respectively.

Employment

The son of the Vice President of Missions is employed by the Organization as a missionary. His salary was \$ 44,146 and \$ 55,146 for the years ended December 31, 2022 and 2021, respectively. His ministry support fund balances were \$ 19,755 and \$ 14,767 as of December 31, 2022 and 2021, respectively. He cannot exercise control nor does he have a position of influence over management of the Organization.

NOTE D – DEFERRED REVENUE

Deferred revenues result from current year collections of tuition pertaining to training courses offered by the Organization in the following year. The revenues collected for the following year’s courses by December 31, 2022 and 2021 totaled \$ 9,854 and \$ 5,100, respectively.

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Organization carries commercial insurance coverage for risks of loss.

NOTE F – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued.

NOTE G – NET ASSETS

Net assets with donor restrictions at December 31, 2022 and 2021 were available for the benefit of specific missionaries or projects. The total net assets with donor restrictions at December 31, 2022 and 2021 were \$ 861,572 and \$ 785,090, respectively. The Organization assesses administrative fees of 15% from general missionary contributions and 10% of project contributions.

Net assets without donor restrictions- designated at December 31, 2022 and 2021 were comprised for the following purposes:

	2022	2021
Memorial Fund	\$ 160,100	\$ 160,000
Training	50,450	33,551
Total net assets without donor restrictions – designated	\$ 210,550	\$ 193,551

NOTE H – LEASES

Property Lease and Commitment

On July 6, 2020 the Organization entered into an agreement to lease an unfurnished residential dwelling that it owns to an employee as housing provided in exchange for caretaking duties performed by that employee for a one-year term commencing on June 1, 2020. The house was vacant in 2022 when this lease expired. The Organization did not receive any cash payments under this lease for the year ended December 31, 2021. The rental value of the leased property was \$ 0 and \$ 12,000 for the years ended December 31, 2022 and December 31, 2021, respectively.

EQUIP, INC.
DBA EQUIP, INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE H – LEASES (CONTINUED)

Equipment

The Organization leases a copier under a lease classified as capital lease. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 2022. The interest rate related to these lease obligations is 4.75% per annum and the maturity date of the lease is July 2025.

Year Ending December 31:

2023	\$	3,600
2024		3,600
2025		1,977
2026		
2027		
Thereafter		
Total minimum lease payments		9,177
Less: amounts representing interest		550
Present value of minimum lease payments	\$	8,627

NOTE I – INCOME TAXES

Open Tax Years

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2019, 2020, and 2021, are subject to examination by the IRS, generally for 3 years after they are filed.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code, except on income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements.

EQUIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE J – FAIR VALUE MEASUREMENTS

The Organization follows Financial Accounting Standards Board (FASB) ASC 820 *Fair Value Measurements and Disclosures* which established a fair value hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of each financial instrument was measured using FASB ASC 820 input guidance and valuation techniques.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2022 and December 31, 2021:

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NOTE J – FAIR VALUE MEASUREMENTS (CONTINUED)

Certificates of Deposit, Annuities and Mutual Funds - These investments are public investment vehicles valued using the closing share price at a specific date. These investments are classified with Level 1 of the valuation hierarchy.

The preceding method described may produce a fair value calculation that may or may not be indicative of net realizable value or reflective of future values. Furthermore, management 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 fair value measurement at the reporting date.

NOTE K – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization’s financial assets as of December 31, 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or board designations.

Financial assets:	\$ 1,669,542
<i>Less those funds unavailable for general expenditures due to:</i>	
Restricted by donor with time and purpose restrictions	861,572
Designated by board for Organization’s ministry programs	<u>210,550</u>
Financial assets available to meet cash needs within one year	<u>\$ 597,420</u>

The Organization manages its liquid resources by employing a variety of measures. The Organization focuses on generating adequate contributions to cover the costs of its activities. In addition, the Organization invests excess cash in investments to maximize return, taking into consideration the Organization’s low tolerance for investment market risk. The Organization also monitors costs closely. The Organization had no outstanding balance on this line of credit as of December 31, 2022.

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NOTE L – PRIOR PERIOD ADJUSTMENT

The Organization changed the method of accounting for its copier lease from an operating lease to a capital lease. For the years ending December 31, 2020 and 2021, respectively, unrestricted net assets decreased as indicated below:

Unrestricted net assets as originally stated December 31, 2020	\$ 1,065,942
Net decrease due to change in accounting method	<u>(131)</u>
Unrestricted net assets, as restated December 31, 2020	<u>\$ 1,065,811</u>
Unrestricted net assets as originally stated December 31, 2021	\$ 1,130,151
Net decrease due to change in accounting method	<u>(344)</u>
Unrestricted net assets, as restated December 31, 2021	<u>\$ 1,129,807</u>

Net changes were attributable to:

- increases due to expense reduction for previously expensed lease payments which were reclassified as reductions of the lease payable.
- Decreases due to depreciation for the capitalized asset

At December 31, 2020, assets increased by \$ 15,897 and liabilities increased by \$ 14,702 as a result of this change.