

**Heaven's Family**  
**Pittsburgh, Pennsylvania**

**Financial Statements**

**December 31, 2017 and 2016**

# **HEAVEN'S FAMILY**

## **TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES .....	3
STATEMENTS OF FUNCTIONAL EXPENSES .....	4
STATEMENTS OF CASH FLOWS .....	5
NOTES TO FINANCIAL STATEMENTS.....	6-11

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Heaven's Family

We have audited the accompanying financial statements of Heaven's Family (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heaven's Family as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*D'Angelo & Associates, Inc.*

Pittsburgh, Pennsylvania

June 22, 2018

**HEAVEN'S FAMILY**

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 1,493,945	\$ 1,819,876
Pledges receivable	-	2,257
Investments	<u>1,994</u>	<u>2,158</u>
Total current assets	1,495,939	1,824,291
Property and equipment, net	<u>18,443</u>	<u>23,979</u>
Total assets	<u><u>\$ 1,514,382</u></u>	<u><u>\$ 1,848,270</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 19,340	\$ 20,083
Accrued payroll liabilities	<u>71,307</u>	<u>60,600</u>
Total current liabilities	<u>90,647</u>	<u>80,683</u>
Net assets		
Unrestricted net assets	1,393,184	1,578,171
Temporarily restricted net assets	<u>30,551</u>	<u>189,416</u>
Total net assets	<u>1,423,735</u>	<u>1,767,587</u>
Total liabilities and net assets	<u><u>\$ 1,514,382</u></u>	<u><u>\$ 1,848,270</u></u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

**HEAVEN'S FAMILY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 2,132,426	\$ -	\$ 2,132,426
In-kind contributions	123,286	-	123,286
Merchandise sales	112	-	112
Interest and dividend income	5,438	-	5,438
Net realized/unrealized gains (losses)	178	-	178
	<u>2,261,440</u>	<u>-</u>	<u>2,261,440</u>
Net assets released from restrictions	158,865	(158,865)	-
Total support and revenues	<u>2,420,305</u>	<u>(158,865)</u>	<u>2,261,440</u>
Expenses			
Program services	2,104,097	-	2,104,097
Management and general	361,130	-	361,130
Fundraising	140,065	-	140,065
Total expenses	<u>2,605,292</u>	<u>-</u>	<u>2,605,292</u>
Change in net assets	<u>(184,987)</u>	<u>(158,865)</u>	<u>(343,852)</u>
Net assets, beginning of year	<u>1,578,171</u>	<u>189,416</u>	<u>1,767,587</u>
Net assets, end of year	<u>\$ 1,393,184</u>	<u>\$ 30,551</u>	<u>\$ 1,423,735</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

**HEAVEN'S FAMILY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 2,404,796	\$ 879,162	\$ 3,283,958
In-kind contributions	127,508	-	127,508
Merchandise sales	798	-	798
Interest and dividend income	3,281	-	3,281
Net realized/unrealized gains (losses)	(33)	-	(33)
	<u>2,536,350</u>	<u>879,162</u>	<u>3,415,512</u>
Net assets released from restrictions	<u>1,655,863</u>	<u>(1,655,863)</u>	<u>-</u>
Total support and revenues	<u>4,192,213</u>	<u>(776,701)</u>	<u>3,415,512</u>
Expenses			
Program services	2,259,931	-	2,259,931
Management and general	274,797	-	274,797
Fundraising	234,776	-	234,776
Total expenses	<u>2,769,504</u>	<u>-</u>	<u>2,769,504</u>
Change in net assets	<u>1,422,709</u>	<u>(776,701)</u>	<u>646,008</u>
Net assets, beginning of year	<u>155,462</u>	<u>966,117</u>	<u>1,121,579</u>
Net assets, end of year	<u><u>\$ 1,578,171</u></u>	<u><u>\$ 189,416</u></u>	<u><u>\$ 1,767,587</u></u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

**HEAVEN'S FAMILY**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/aid	\$ 1,129,208	\$ -	\$ -	\$ 1,129,208
Compensation	468,371	223,084	71,804	763,259
Travel	195,017	3,386	5,159	203,562
Printing, publication, and postage	18,680	-	19,198	37,878
Fees for services	47,134	24,823	-	71,957
Payroll taxes	35,105	16,625	5,419	57,149
Rent	-	1,104	-	1,104
Employee benefits	35,737	35,685	-	71,422
Information technology	47,331	-	-	47,331
Office expenses	4,449	43,550	-	47,999
Conferences and meetings	42,792	3,379	-	46,171
Advertising and promotion	80,245	-	37,985	118,230
Depreciation	-	5,536	-	5,536
Other expenses	28	-	500	528
Insurance	-	3,958	-	3,958
Total functional expenses	<u>\$ 2,104,097</u>	<u>\$ 361,130</u>	<u>\$ 140,065</u>	<u>\$ 2,605,292</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements



**HEAVEN'S FAMILY**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/aid	\$ 1,518,375	\$ -	\$ -	\$ 1,518,375
Compensation	360,033	166,014	67,032	593,079
Travel	178,451	1,802	7,739	187,992
Printing, publication, and postage	27,957	21	20,830	48,808
Fees for services	35,145	27,689	-	62,834
Payroll taxes	26,732	12,438	4,993	44,163
Rent	400	1,104	-	1,504
Employee benefits	33,223	16,427	4,913	54,563
Information technology	47,591	-	-	47,591
Office expenses	1,638	40,510	-	42,148
Conferences and meetings	30,376	-	-	30,376
Advertising and promotion	-	-	128,170	128,170
Depreciation	-	4,016	-	4,016
Other expenses	10	1,372	1,099	2,481
Insurance	-	3,404	-	3,404
Total functional expenses	<u>\$ 2,259,931</u>	<u>\$ 274,797</u>	<u>\$ 234,776</u>	<u>\$ 2,769,504</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

**HEAVEN'S FAMILY**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (343,852)	\$ 646,008
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,536	4,016
Net realized/unrealized (gain) loss on investment	(178)	33
Donated investments received	(1,994)	(2,191)
(Increase) decrease in pledges receivable	2,257	(2,257)
Increase (decrease) in accounts payable and accrued expenses	(743)	9,118
Increase (decrease) accrued payroll liabilities	10,707	48,438
Net cash provided (used) by operating activities	<u>(328,267)</u>	<u>703,165</u>
Cash flows from investing activities		
Purchase of new vehicle	-	(18,248)
Sale of investments	2,336	-
Net cash provided (used) by investing activities	<u>2,336</u>	<u>(18,248)</u>
Net increase (decrease) in cash	(325,931)	684,917
Cash and cash equivalents, beginning of year	<u>1,819,876</u>	<u>1,134,959</u>
Cash and cash equivalents, end of year	<u>\$ 1,493,945</u>	<u>\$ 1,819,876</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

## HEAVEN'S FAMILY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE 1 – NATURE OF ACTIVITIES

Heaven's Family (the Organization) is a non-profit corporation formed with the purpose of working around the world to meet very pressing needs of "the least of these" among Christ's body in obedience to his words found in Matthew 25:31-46. The Organization's support comes primarily from grants and contributions from individual contributors.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Significant Programs

The Organization's significant programs are as follows:

**Micro-Credit** - *Heaven's Family's* Microloan Ministry creates economic opportunities and fosters spiritual growth in the lives of the very poor through locally run micro-banks that incorporate biblical discipleship and Christian community. It provides basic Small Business Trainings and continuous communication and follow-up through a network of partners (micro-bankers and coordinators) enabling borrowers to actively participate and prosper in their local economies through their Christ-centered businesses.

**Orphan Care** - *Heaven's Family's* Orphan's Tear Ministry is involved with a redefined work to (1) prevent the flow of children into orphanages, (2) help children living in orphanages return to their families when possible, and (3) eliminate the causes that motivate parents to send their children to orphanages (poverty and lack of educational opportunities). Through our child/family reunification we are placing children from orphanages into families through wholesome kinship care and foster care.

**Relief, Development, Evangelism and Discipleship** - Through eighteen other Ministries, in more than 40 nations, we meet the pressing needs of widows, refugees, prisoners, the persecuted, the disabled, the ill, victims of natural disasters and human trafficking, the sexually abused, the hungry and the thirsty. We support local missionaries and work to "teach all nations" by conducting leadership seminars, providing Bibles, and offering free biblical teaching through our [DavidServant.com](http://DavidServant.com) website.

##### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

##### Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

## **HEAVEN'S FAMILY**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the Pennsylvania Revenue Code. In addition, the Organization qualifies for charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

##### Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

##### Investments

Investments consist of assets invested in marketable equity securities and money-market accounts. Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

##### Contributions

The Organization solicits for and recognizes contributions as unrestricted support but keeps track of donor preferences and applies this in accordance with its policies. Contributions are only reported as restricted support if they are specifically designated as such from donors or grantors. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

##### Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

## **HEAVEN'S FAMILY**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognized donated services throughout the year. Google advertising is donated to the Organization monthly. In addition, some accounting services are donated to the Organization throughout the year. The Organization recognizes donated services for the year ended December 31, 2017 and 2016 as \$123,286 and \$127,508, respectively. The Organization receives donated services from a variety of unpaid volunteers assisting in the Organization's programs. These donated services did not meet the criteria for recognition on the financial statements.

##### Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are stated at cost. Donated property and equipment are stated at fair value on the date of donation. Depreciation is computed using the straight-line method of the estimated useful life.

##### Subsequent Events

In preparing the accompanying financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2018, the date the financial statements were available to be issued.

##### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions.

The Organization maintains several bank accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017 and 2016, the Organization had \$248,444 and \$656,536, respectively, in uninsured cash balances.

##### Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2017 and 2016 totaled \$118,230 and \$128,170, respectively. Of these costs \$114,636 and \$119,248, respectively were in-kind contributions.

## HEAVEN'S FAMILY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization applies U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

- **Level 1** - Quoted prices in active markets for identical assets or liabilities.
- **Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities, and reflect management's assumptions and best estimates based on available data.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the years ended December 31, 2017 and 2016.

#### NOTE 4 – INVESTMENTS

Investments are comprised of the following at December 31, 2017 and 2016. Investments are stated at fair value.

	<u>2017</u>		<u>2016</u>	
	Cost	Fair Value	Cost	Fair Value
Common Stock	\$ 1,994	\$ 1,994	\$ 2,158	\$ 2,158

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

	<u>Level 1</u>
Investments in publicly traded stock, December 31, 2017	\$ 1,994
Investments in publicly traded stock, December 31, 2016	\$ 2,158

#### NOTE 4 – INVESTMENTS (CONTINUED)

See accompanying Independent Auditors' Report

## HEAVEN'S FAMILY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Investment income related to these investments is included with revenues and gains on the statement of activities and was comprised of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 18	\$ -
Realized/unrealized gain (loss)	178	(33)
Total	<u>\$ 196</u>	<u>\$ (33)</u>

#### **NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose as of December 31:

	<u>2017</u>	<u>2016</u>
Orphan's Tear	\$ -	\$ 29,790
Focused Funds:		
Books for Discipleship Fund	-	2,823
Compassion Club	-	6,769
DMF Funds	5,461	5,461
Lanterns for Missionaries	407	407
Leper School Fund	-	92
Micro-Loans Ministry	-	34,307
Mobilize a Minister Fund	-	298
Sudanese School	24,683	24,683
Focused Funds General	-	84,786
	<u>\$ 30,551</u>	<u>\$ 189,416</u>

#### **NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 21,266	\$ 21,266
Vehicles	18,248	18,248
Less: accumulated depreciation	(21,071)	(15,535)
Property and equipment, net	<u>\$ 18,443</u>	<u>\$ 23,979</u>

Depreciation expense was \$5,536 and \$4,016 for the years ended December 31, 2017 and 2016, respectively.

#### **NOTE 7 – COMPENSATED ABSENCES**

See accompanying Independent Auditors' Report

## **HEAVEN'S FAMILY**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Employees of the Organization are entitled to paid vacation. An accrual for compensated absences has not been made in these financial statements. The amount of any accrual for compensated absences is not considered material at December 31, 2017 and 2016.

#### **NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Organization has adopted a Savings Incentive Match Plan for Employees (SIMPLE-IRA) which covers all employees that are reasonably expected to receive at least \$5,000 in compensation in the current calendar year and have received at least \$5,000 in compensation during any one prior calendar year. The Organization will make a dollar-for-dollar match of the employee elective deferrals, up to 3% of total compensation. Employer contributions to this plan for the years ended December 31, 2017 and 2016 were \$17,281 and \$12,755 respectively.

#### **NOTE 9 – FUNCTIONAL 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 program and supporting services.