

Heaven's Family
Pittsburgh, Pennsylvania

Financial Statements

December 31, 2018 and 2017

HEAVEN'S FAMILY

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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, 2018 and 2017, 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, 2018 and 2017, 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
July 12, 2019

HEAVEN'S FAMILY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 1,560,397	\$ 1,493,945
Investments	<u>25,147</u>	<u>1,994</u>
Total current assets	1,585,544	1,495,939
Property and equipment, net	<u>8,820</u>	<u>18,443</u>
Total assets	<u>\$ 1,594,364</u>	<u>\$ 1,514,382</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 26,513	\$ 19,340
Accrued payroll liabilities	<u>78,355</u>	<u>71,307</u>
Total current liabilities	<u>104,868</u>	<u>90,647</u>
Net assets		
Without donor restrictions	1,464,406	1,393,184
With donor restrictions	<u>25,090</u>	<u>30,551</u>
Total net assets	<u>1,489,496</u>	<u>1,423,735</u>
Total liabilities and net assets	<u>\$ 1,594,364</u>	<u>\$ 1,514,382</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 3,171,262	\$ -	\$ 3,171,262
In-kind contributions	75,211	-	75,211
Merchandise sales	747	-	747
Interest and dividend income	9,462	-	9,462
Net realized/unrealized gains (losses)	(11,046)	-	(11,046)
	<u>3,245,636</u>	<u>-</u>	<u>3,245,636</u>
Net assets released from restrictions	<u>5,461</u>	<u>(5,461)</u>	<u>-</u>
Total support and revenues	<u>3,251,097</u>	<u>(5,461)</u>	<u>3,245,636</u>
Expenses			
Program services	2,715,664	-	2,715,664
Management and general	349,260	-	349,260
Fundraising	114,951	-	114,951
Total expenses	<u>3,179,875</u>	<u>-</u>	<u>3,179,875</u>
Change in net assets	<u>71,222</u>	<u>(5,461)</u>	<u>65,761</u>
Net assets, beginning of year	<u>1,393,184</u>	<u>30,551</u>	<u>1,423,735</u>
Net assets, end of year	<u>\$ 1,464,406</u>	<u>\$ 25,090</u>	<u>\$ 1,489,496</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>Without Donor Restrictions</u>	<u>With Donor Restrictions</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	<u>158,865</u>	<u>(158,865)</u>	<u>-</u>
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/aid	\$ 1,719,273	\$ -	\$ -	\$ 1,719,273
Compensation	504,096	220,330	93,499	817,925
Travel	148,481	5,626	6,597	160,704
Printing, publication, and postage	34,592	-	1,934	36,526
Fees for services	53,837	23,459	-	77,296
Payroll taxes	38,927	16,853	7,214	62,994
Rent	-	184	-	184
Employee benefits	64,585	29,298	2,368	96,251
Information technology	43,603	3,530	-	47,133
Office expenses	13,198	40,374	-	53,572
Conferences and meetings	29,685	1,490	-	31,175
Advertising and promotion	65,380	-	1,887	67,267
Depreciation	-	3,807	-	3,807
Other expenses	7	-	1,452	1,459
Insurance	-	4,309	-	4,309
Total functional expenses	<u>\$ 2,715,664</u>	<u>\$ 349,260</u>	<u>\$ 114,951</u>	<u>\$ 3,179,875</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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 65,761	\$ (343,852)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,807	5,536
Net realized/unrealized (gain) loss on investment	5,653	(178)
Loss on disposal of fixed assets	5,391	-
Donated investments received	(58,332)	(1,994)
(Increase) decrease in pledges receivable	-	2,257
Increase (decrease) in accounts payable and accrued expenses	7,173	(743)
Increase (decrease) accrued payroll liabilities	7,048	10,707
Net cash provided (used) by operating activities	<u>36,501</u>	<u>(328,267)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	425	-
Sale of investments	29,526	2,336
Net cash provided (used) by investing activities	<u>29,951</u>	<u>2,336</u>
Net increase (decrease) in cash	66,452	(325,931)
Cash and cash equivalents, beginning of year	<u>1,493,945</u>	<u>1,819,876</u>
Cash and cash equivalents, end of year	<u>\$ 1,560,397</u>	<u>\$ 1,493,945</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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) help prevent the flow of non-orphaned 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, facilitating 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 website.

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).

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets without Donor Restrictions- These net assets generally result from revenues generated by receiving contributions that have no donor restrictions and receiving interest from operating investments, less expenses incurred in providing program services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions- These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018 and 2017 as \$75,211 and \$123,286, 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 July 12, 2019, 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.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017, the Organization had \$357,491 and \$248,444, respectively, in uninsured cash balances.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2018 and 2017 totaled \$67,267 and \$118,230, respectively. Of these costs \$65,371 and \$114,636, respectively were in-kind contributions.

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, 2018 and 2017.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 – INVESTMENTS

Investments are comprised of the following at December 31, 2018 and 2017. Investments are stated at fair value.

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stock	\$ 31,031	\$ 25,147	\$ 1,994	\$ 1,994

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, 2018 and 2017:

	<u>Level 1</u>
Investments in publicly traded stock, December 31, 2018	\$ 25,147
Investments in publicly traded stock, December 31, 2017	\$ 1,994

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>2018</u>	<u>2017</u>
Interest and dividend income	\$ 142	\$ 18
Realized/unrealized gain (loss)	(5,653)	178
Total	\$ 5,511	\$ 196

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Focused Funds:		
DMF Funds	\$ -	\$ 5,461
Lanterns for Missionaries	407	407
Sudanese School	24,683	24,683
	<u>\$ 25,090</u>	<u>\$ 30,551</u>

The above donor restrictions are Subject to Expenditure for Specified Purpose.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ -	\$ 21,266
Vehicles	18,248	18,248
Less: accumulated depreciation	(9,428)	(21,071)
Property and equipment, net	<u>\$ 8,820</u>	<u>\$ 18,443</u>

Depreciation expense was \$3,807 and \$5,536 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 – COMPENSATED ABSENCES

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, 2018 and 2017.

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, 2018 and 2017 were \$20,122 and \$17,281 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.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general expenditures within one year of the balance sheet date because of donor-imposed restrictions.

	<u>2018</u>	<u>2017</u>
Total financial assets	\$ 1,585,544	\$ 1,495,939
Less: cash restricted by donors to specific uses	<u>(25,090)</u>	<u>(30,551)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,560,454</u>	<u>\$ 1,465,388</u>