

Heaven's Family
Pittsburgh, Pennsylvania

Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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
September 1, 2021

HEAVEN'S FAMILY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 1,622,146	\$ 1,254,389
Investments	10,615	-
Contributions receivable	<u>-</u>	<u>7,873</u>
Total current assets	<u>1,632,761</u>	<u>1,262,262</u>
Total assets	<u><u>\$ 1,632,761</u></u>	<u><u>\$ 1,262,262</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 12,927	\$ 9,319
Accrued payroll liabilities	<u>55,022</u>	<u>83,931</u>
Total current liabilities	<u>67,949</u>	<u>93,250</u>
Net assets		
Without donor restrictions	1,539,722	1,143,922
With donor restrictions	<u>25,090</u>	<u>25,090</u>
Total net assets	<u>1,564,812</u>	<u>1,169,012</u>
Total liabilities and net assets	<u><u>\$ 1,632,761</u></u>	<u><u>\$ 1,262,262</u></u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 2,958,435	\$ -	\$ 2,958,435
In-kind contributions	141,198	-	141,198
Merchandise sales	448	-	448
Interest and dividend income	8,082	-	8,082
Net realized/unrealized gains (losses)	1,205	-	1,205
	<u>3,109,368</u>	<u>-</u>	<u>3,109,368</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>3,109,368</u>	<u>-</u>	<u>3,109,368</u>
Expenses			
Program services	2,499,244	-	2,499,244
Management and general	316,679	-	316,679
Fundraising	94,445	-	94,445
Total expenses	<u>2,910,368</u>	<u>-</u>	<u>2,910,368</u>
Other income			
Paycheck Protection Program forgiveness income	196,800	-	196,800
Change in net assets	<u>395,800</u>	<u>-</u>	<u>395,800</u>
Net assets, beginning of year	<u>1,143,922</u>	<u>25,090</u>	<u>1,169,012</u>
Net assets, end of year	<u>\$ 1,539,722</u>	<u>\$ 25,090</u>	<u>\$ 1,564,812</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 2,645,779	\$ -	\$ 2,645,779
In-kind contributions	128,796	-	128,796
Merchandise sales	866	-	866
Interest and dividend income	18,643	-	18,643
Net realized/unrealized gains (losses)	12,666	-	12,666
	<u>2,806,750</u>	<u>-</u>	<u>2,806,750</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,806,750</u>	<u>-</u>	<u>2,806,750</u>
Expenses			
Program services	2,671,731	-	2,671,731
Management and general	360,731	-	360,731
Fundraising	94,772	-	94,772
Total expenses	<u>3,127,234</u>	<u>-</u>	<u>3,127,234</u>
Change in net assets	<u>(320,484)</u>	<u>-</u>	<u>(320,484)</u>
Net assets, beginning of year	<u>1,464,406</u>	<u>25,090</u>	<u>1,489,496</u>
Net assets, end of year	<u>\$ 1,143,922</u>	<u>\$ 25,090</u>	<u>\$ 1,169,012</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/aid	\$ 1,697,158	\$ -	\$ -	\$ 1,697,158
Compensation	395,221	191,279	69,754	656,254
Travel	26,419	63	2,549	29,031
Printing, publication, and postage	35,784	1,673	2,404	39,861
Fees for services	10,512	24,970	-	35,482
Payroll taxes	33,616	16,127	6,124	55,867
Employee benefits	51,244	26,542	12,079	89,865
Information technology	105,185	4,137	-	109,322
Office expenses	11,542	45,956	-	57,498
Conferences and meetings	1,665	1,382	-	3,047
Advertising and promotion	130,898	-	1,325	132,223
Other expenses	-	-	210	210
Insurance	-	4,550	-	4,550
Total functional expenses	<u>\$ 2,499,244</u>	<u>\$ 316,679</u>	<u>\$ 94,445</u>	<u>\$ 2,910,368</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/aid	\$ 1,512,262	\$ -	\$ -	\$ 1,512,262
Compensation	560,349	229,298	65,166	854,813
Travel	154,819	1,117	8,146	164,082
Printing, publication, and postage	41,691	395	3,859	45,945
Fees for services	52,295	25,710	-	78,005
Payroll taxes	48,554	18,698	5,534	72,786
Employee benefits	80,740	29,684	9,427	119,851
Information technology	41,811	1,661	-	43,472
Office expenses	14,246	46,057	-	60,303
Conferences and meetings	46,450	871	-	47,321
Advertising and promotion	118,514	-	1,342	119,856
Depreciation	-	2,434	-	2,434
Other expenses	-	-	1,298	1,298
Insurance	-	4,806	-	4,806
Total functional expenses	<u>\$ 2,671,731</u>	<u>\$ 360,731</u>	<u>\$ 94,772</u>	<u>\$ 3,127,234</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

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	\$ 395,800	\$ (320,484)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	2,434
Paycheck Protection Program forgiveness income	(196,800)	
Net realized/unrealized (gain) loss on investment	(1,205)	823
(Gain) loss on disposal of fixed assets	-	(11,843)
Donated investments received	(16,018)	(10,040)
(Increase) decrease in contributions receivable	7,873	(7,873)
Increase (decrease) in accounts payable and accrued expenses	3,608	(17,194)
Increase (decrease) accrued payroll liabilities	(28,909)	5,576
Net cash provided (used) by operating activities	<u>164,349</u>	<u>(358,601)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	18,229
Borrowing on Paycheck Protection Program	196,800	-
Sale of investments	6,608	34,364
Net cash provided (used) by investing activities	<u>203,408</u>	<u>52,593</u>
Net increase (decrease) in cash	367,757	(306,008)
Cash and cash equivalents, beginning of year	<u>1,254,389</u>	<u>1,560,397</u>
Cash and cash equivalents, end of year	<u>\$ 1,622,146</u>	<u>\$ 1,254,389</u>

See accompanying Independent Auditors' Report and Notes to Financial Statements

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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:

Fighting Human Trafficking & Slavery - *Heaven's Family's* is currently fighting the plague of human trafficking and slavery in 7 countries. Our partners on the ground work to prevent trafficking through awareness training and building relationships with at-risk populations. Locations are established within very poor communities to serve the people by meeting pressing needs, presenting the gospel, feeding the hungry, and education and social services, when available, including establishing small businesses to foster self sufficiency that reduces vulnerability. Most of our partners also work to rescue victims, restore them to health, and provide them with education, skills, training, and gospel. We work to empower indigenous people groups, so they are equipped to wage war on the problem of trafficking within their own communities and government.

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, 2020 AND 2019

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, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Organization solicits for and recognizes contributions as net assets without donor restrictions but keeps track of donor preferences and applies this in accordance with its policies. Contributions are only reported as net assets with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without restrictions 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, 2020 and 2019 as \$141,198 and \$128,796, 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 September 1, 2021, the date the financial statements were available to be issued and identified one event requiring disclosure in the 2020 financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the organization expects this matter to negatively impact operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, the Organization had \$828,975 and \$624,651, respectively, in uninsured cash balances.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2020 and 2019 totaled \$132,223 and \$119,856, respectively. Of these costs \$130,898 and \$118,496, 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, 2020 and 2019.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 – INVESTMENTS

Investments are comprised of the following at December 31, 2020 and 2019. Investments are stated at fair value.

	<u>2020</u>		<u>2019</u>	
	Cost	Fair Value	Cost	Fair Value
Common Stock	\$ 9,780	\$ 10,615	\$ -	\$ -

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, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in publicly traded stock, December 31, 2020	\$ 10,615	\$ -	\$ -
Investments in publicly traded stock, December 31, 2019	\$ -	\$ -	\$ -

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>2020</u>	<u>2019</u>
Interest and dividend income	\$ -	\$ 39
Realized/unrealized gain (loss)	1,205	823
Total	<u>\$ 1,205</u>	<u>\$ 862</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Focused Funds:		
Lanterns for Missionaries	\$ 407	\$ 407
Sudanese School	24,683	24,683
	<u>\$ 25,090</u>	<u>\$ 25,090</u>

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

NOTE 6 – 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, 2020 and 2019.

See accompanying Independent Auditors' Report

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 7 – 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, 2020 and 2019 were \$15,057 and \$20,088 respectively.

NOTE 8 – 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.

NOTE 9 – 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>2020</u>	<u>2019</u>
Total financial assets	\$ 1,622,146	\$ 1,262,262
Less: cash restricted by donors to specific uses	<u>(25,090)</u>	<u>(25,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,597,056</u>	<u>\$ 1,237,172</u>

NOTE 10 – PAYCHECK PROTECTION PROGRAM

On May 5, 2020, The Company was granted a loan from PNC Bank in the amount of \$196,800, pursuant to the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("Cares Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries.

The Organization used the loan proceeds for eligible purposes and applied for loan forgiveness. On August 27, 2021, the loan balance of \$196,800 was fully forgiven by PNC Bank. The Paycheck Protection Forgiveness Income is shown in Other Income on the Statement of Activities.