

**FAMILY AFFAIR MINISTRIES, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Family Affair Ministries, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Family Affair Ministries, Inc. (the "Ministry"), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, (collectively, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Ministry'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 Ministry'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 Family Affair Ministries, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*  
September 9, 2016

**FAMILY AFFAIR MINISTRIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

Cash	<u>\$ 19,997</u>
TOTAL ASSETS	<u><u>\$ 19,997</u></u>

**LIABILITIES AND NET ASSETS**

LIABILITIES	
Accounts payable	\$ 5,346
Accrued payroll	9,916
Line of credit	<u>29,500</u>
Total Liabilities	44,762
NET ASSETS - DEFICIT	<u>(24,765)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,997</u></u>

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

**FAMILY AFFAIR MINISTRIES, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

Unrestricted Revenues and Support	
Grants	\$ 316,885
Contributions	89,213
Fees	<u>6,264</u>
Total Unrestricted Revenues and Support	<u>412,362</u>
Functional Expenses	
Program services	325,848
Supporting services	
Management and general	151,389
Fundraising	<u>2,500</u>
Total Functional Expenses	<u>479,737</u>
DECREASE IN NET ASSETS	(67,375)
NET ASSETS - BEGINNING OF YEAR	<u>42,610</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (24,765)</u></u>

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

**FAMILY AFFAIR MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

		<u>Supporting Services</u>		
	<b>Program</b>	<b>Management</b>	<b>Fund-</b>	
	<b>Services</b>	<b>and</b>	<b>raising</b>	<b>Total</b>
		<b>General</b>		
Salaries, wages and benefits	\$ 242,213	\$ 127,923	\$ 2,500	\$ 372,636
Facility rent	23,946	2,031	-	25,977
Professional services	20,585	1,500	-	22,085
Insurance	8,138	4,426	-	12,564
Phones and internet	7,214	3,944	-	11,158
Supplies	7,616	2,848	-	10,464
Benevolence	6,504	-	-	6,504
Travel	4,310	1,767	-	6,077
Administrative	-	5,498	-	5,498
Repairs and maintenance	5,322	-	-	5,322
Interest	-	1,452	-	1,452
	<u>-</u>	<u>1,452</u>	<u>-</u>	<u>1,452</u>
Total functional expenses	<u>\$ 325,848</u>	<u>\$ 151,389</u>	<u>\$ 2,500</u>	<u>\$ 479,737</u>

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

**FAMILY AFFAIR MINISTRIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$ (67,375)
Adjustments to reconcile decrease in net assets to net cash used in operating activities	
Change in	
Grants receivable	55,594
Accounts payable	1,845
Accrued payroll	<u>(487)</u>
Net Cash Used In Operating Activities	<u>(10,423)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings on line of credit	<u>9,500</u>
Net Cash Provided By Financing Activities	<u>9,500</u>

NET DECREASE IN CASH (923)

CASH - BEGINNING OF YEAR 20,920

CASH - END OF YEAR \$ 19,997

**SUPPLEMENTAL DISCLOSURES**

Interest paid during the year	<u><u>\$ 1,452</u></u>
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The accompanying notes are an integral part of these financial statements.

**FAMILY AFFAIR MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Family Affair Ministries, Inc. (the "Ministry") is a Tennessee not-for-profit corporation that provides support and enrichment to restore families and rebuild communities through God's hands extended. The Ministry is supported by state grants, donations, and program fees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of 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, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes checking deposits held by financial institutions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities and changes in net assets as net assets released from restrictions. There were no temporarily or permanently restricted net assets at December 31, 2015.

Contributed Goods and Services

Various volunteers donate many hours to the Ministry's program services. These contributed services are not reflected in the financial statements since the services do not require specialized skills. Property, equipment, materials and other assets received as donations are recorded and reflected in the accompanying statement of financial position at their estimated fair values at the date of the receipt.



**FAMILY AFFAIR MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Ministry is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the tax laws of the state of Tennessee.

Accounting principles generally accepted in the United States of America require the Ministry to evaluate tax positions taken by the Ministry and recognize a tax liability (or asset) if the Ministry has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Ministry and has concluded that as of December 31, 2015, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Ministry is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

**NOTE 3 - GRANTS**

Grants receivable consist of amounts due from the state and local government agencies under reimbursable grants. The Ministry can request reimbursement for expenses incurred up to the total amount of the award. All grants receivable are collectible within one year. The Ministry uses the allowance method to determine uncollectible grants receivable. The allowance is based on prior years' experience and management's analysis of specific grants. No allowance was deemed necessary as of December 31, 2015. The grants are subject to audit by the government agencies. As of December 31, 2015 there were no receivables outstanding.

**NOTE 4 - LINE OF CREDIT**

The Ministry had a \$30,000 line of credit with a local bank. The loan calls for an interest rate of Prime + 1.25% with a floor of 4.00%. The loan renews annually on January 1<sup>st</sup> of each year. The loan is guaranteed by the Ministry's officers.

**NOTE 5 - CONCENTRATIONS**

Of the Ministry's total revenues and support for 2015, approximately 76% represents funds received from two grants. No other revenue and support source represents 10% or more of total revenues and support.

**FAMILY AFFAIR MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2015**

**NOTE 6 - LEASING ARRANGEMENTS**

The Ministry provides programing at four locations. At three of those locations, the ministry space is provided free of charge. No in-kind contribution or rent expense has been recorded on the statement of activities and changes in net assets. As more fully described in Note 7, the Ministry also uses office and ministry space that is provided by a related party.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Ministry is closely affiliated with Family Affair Fellowship, Inc. ("Fellowship") which is the church that started Family Affair Ministries, Inc. The two organizations have common members in key leadership positions and share facilities, vehicles, and supplies. Several key leaders of the Ministry are volunteer pastors of the Fellowship. Reimbursements are sometimes made between the two organizations when practical.

Fellowship contributed cash totaling \$39,000 in 2015 toward the operations of the Ministry. Fellowship provides the Ministry free use of its transportation equipment in its programing which has not been reflected in the statement of activities and changes in net assets.

The Ministry uses Fellowship's church facility as one of its program facilities and occupies office space at the location. During 2015, the Ministry paid Fellowship \$24,717 for rent. As of December 31, 2015, \$3,987 due to Fellowship is included in accounts payable.

During 2015, the Ministry expensed building repair costs totaling \$1,987 and the purchase of equipment totaling \$2,592 that were donated to the Fellowship for the two organizations' mutual use.

**NOTE 8 - EVALUATION OF SUBSEQUENT EVENTS**

The Ministry has evaluated subsequent events through September 9, 2016 which is the date the financial statements were available to be issued.