

**FAMILY AFFAIR MINISTRIES, INC.
FINANCIAL STATEMENTS (COMPILED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**FAMILY AFFAIR MINISTRIES, INC.
FINANCIAL STATEMENTS (COMPILED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FINANCIAL STATEMENTS (COMPILED)	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

Independent Accountants' Compilation Report

To the Board of Directors
Family Affair Ministries, Inc.

Management is responsible for the accompanying financial statements of Family Affair Ministries, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
August 20, 2019

**FAMILY AFFAIR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS			
		2018	2017
Cash	\$	16,678	\$ 6,825
Prepaid expenses		7,208	-
Equipment and furnishings, net		<u>3,137</u>	<u>4,069</u>
TOTAL ASSETS	\$	<u>27,023</u>	<u>10,894</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$	10,338	\$ 984
Payroll liabilities		<u>1,434</u>	<u>1,761</u>
Total Liabilities		<u>11,772</u>	<u>2,745</u>
NET ASSETS - Without Donor Restrictions		<u>15,251</u>	<u>8,149</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>27,023</u>	<u>10,894</u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions		
Revenues and support		
Contributions	\$ 140,891	\$ 167,818
In-kind contributions	88,000	113,300
Grants	-	130,545
Fees	-	302
	<u>228,891</u>	<u>411,965</u>
 Total revenues and support without donor restrictions	 <u>228,891</u>	 <u>411,965</u>
 Expenses		
Program services	153,214	289,816
Supporting services		
Management and general	63,471	151,579
Fundraising	5,104	2,634
	<u>221,789</u>	<u>444,029</u>
 Total Expenses	 <u>221,789</u>	 <u>444,029</u>
 INCREASE (DECREASE) IN NET ASSETS	 7,102	 (32,064)
 NET ASSETS - BEGINNING OF YEAR	 <u>8,149</u>	 <u>40,213</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 15,251</u></u>	 <u><u>\$ 8,149</u></u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program	Management	Fund-	
	Services	and	raising	Total
		General		
Salaries, wages and benefits	\$ 53,512	\$ 32,288	\$ 5,104	\$ 90,904
Facility rent	79,620	6,180	-	85,800
Supplies	8,505	2,126	-	10,631
Travel	1,521	6,086	-	7,607
Phones and internet	1,205	4,822	-	6,027
Insurance	2,950	2,949	-	5,899
Administrative	-	5,870	-	5,870
Professional services	-	3,150	-	3,150
Benevolence	2,769	-	-	2,769
Bus transportation	2,200	-	-	2,200
Depreciation	932	-	-	932
Repairs and maintenance	-	-	-	-
Interest	-	-	-	-
Total functional expenses	<u>\$ 153,214</u>	<u>\$ 63,471</u>	<u>\$ 5,104</u>	<u>\$ 221,789</u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

		Supporting Services		
	Program	Management	Fund-	
	Services	and	raising	Total
		General		
Salaries, wages and benefits	\$ 157,345	\$ 111,305	\$ 2,634	\$ 271,284
Facility rent	79,497	7,570	-	87,067
Supplies	6,521	2,059	-	8,580
Travel	1,695	5,674	-	7,369
Phones and internet	1,382	6,922	-	8,304
Insurance	4,444	4,266	-	8,710
Administrative	-	6,929	-	6,929
Professional services	1,498	5,934	-	7,432
Benevolence	1,003	430	-	1,433
Bus transportation	35,500	-	-	35,500
Depreciation	931	-	-	931
Repairs and maintenance	-	325	-	325
Interest	-	165	-	165
Total functional expenses	<u>\$ 289,816</u>	<u>\$ 151,579</u>	<u>\$ 2,634</u>	<u>\$ 444,029</u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 1, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 7,102	\$ (32,064)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	932	931
Change in:		
Grants receivable	-	20,715
Prepaid expenses	(7,208)	-
Accounts payable	9,354	(8,609)
Payroll liabilities	<u>(327)</u>	<u>(7,320)</u>
Net Cash Provided (Used) By Operating Activities	<u>9,853</u>	<u>(26,347)</u>
NET INCREASE (DECREASE) IN CASH	9,853	(26,347)
CASH - BEGINNING OF YEAR	<u>6,825</u>	<u>33,172</u>
CASH - END OF YEAR	<u><u>\$ 16,678</u></u>	<u><u>\$ 6,825</u></u>
Supplemental Disclosures of Cash Flows Information		
Cash payments for interest	<u><u>\$ -</u></u>	<u><u>\$ 165</u></u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (COMPILED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

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 financial statements of the Ministry have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Ministry to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Ministry. These net assets may be used at the discretion of the Ministry's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Ministry or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Equipment and Furnishings and Depreciation

The Ministry follows the practice of capitalizing, at cost, all expenditures for equipment and furnishings in excess of \$500. Donations of equipment and furnishings are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. Depreciation is provided over the estimated useful life on a straight-line method.

Management reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount of any impairment so identified is charged to operations in the period determined.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the year in which the contributions are recognized.

In-kind contributions are reflected at fair value at the date of donation and are reported as unrestricted support unless specific donor stipulations specify how the donated assets must be used. All donated services recognized created a non-financial assets or required specialized skills what would have been purchased is not donated.

See independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (COMPILED) (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and benefits	Time and effort
Facility rent	Facility square footage
Supplies	Time and effort
Travel	Time and effort
Phones and internet	Time and effort
Insurance	Time and effort

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Ministry has adjusted the presentation of these statements accordingly.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Ministry's financial assets as of December 31, 2018:

Financial assets available to meet general expenditures over the next twelve months	
Cash	<u>\$ 16,678</u>

As part of its liquidity plan, the Ministry has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 - GRANTS

Prior to December 31, 2018, the Ministry held grants receivable that consisted of amounts due from state and local government agencies under reimbursable contracts. The Ministry could request reimbursement for expenses incurred up to the total amount of the award. All grants receivable were collectible within one year. The Ministry did not seek to renew these grants after the June 30, 2017 service period expiration date.

NOTE 5 - EQUIPMENT AND FURNISHINGS

Equipment and furnishings consist of the following as of December 31:

	2018	2017
Equipment	\$ 3,800	\$ 3,800
Furniture	<u>1,200</u>	<u>1,200</u>
	5,000	5,000
Accumulated depreciation	<u>(1,863)</u>	<u>(931)</u>
	<u>\$ 3,137</u>	<u>\$ 4,069</u>

Depreciation expense was \$932 and \$931 for 2018 and 2017, respectively.

See independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (COMPILED) (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 - LINE OF CREDIT

The Ministry has 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 1st of each year and matures at the calendar year end. The loan is guaranteed by the Ministry's officers. There were no amounts outstanding at December 31, 2018 or 2017.

NOTE 7 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in unrestricted revenues and expenses in the statements of activities for the year ended December 31:

	2018	2017
Facility rent	\$ 85,800	\$ 77,800
Bus transportation	<u>2,200</u>	<u>35,500</u>
	<u>\$ 88,000</u>	<u>\$ 113,300</u>

NOTE 8 - CONCENTRATIONS

Of the Ministry's total revenues and support for 2018, approximately 85% represents funds received from a related party (see Note 10), and in-kind contributions (see Note 7). No other revenue and support source represents 10% or more of total revenues and support.

Of the Ministry's total revenues and support for 2017, approximately 92% represents funds received from a government grant, a related party (see Note 10), and in-kind contributions (see Note 7). No other revenue and support source represents 10% or more of total revenues and support.

NOTE 9 - LEASING ARRANGEMENTS

The Ministry provides programing at two locations. Generally, this ministry space is provided free of charge. Accordingly, in-kind contribution and facility rent expense has been recorded on the statements of activities to reflect this relationship (see Note 7). As more fully described in Note 10, the Ministry also uses ministry space that is provided by a related party.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Ministry is closely affiliated with Family Affair Ministries Fellowship ("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 for facility related expenses.

Fellowship contributed cash totaling \$100,000 and \$134,000 in 2018 and 2017, respectively toward the operations of the Ministry.

Fellowship provides the Ministry free use of its transportation equipment in its programing which has been reflected in the statements of activities as an in-kind contribution and bus transportation expense totaling \$2,200 and \$35,500 in 2018 and 2017, respectively (see Note 7).

The Ministry uses Fellowship's church facility as one of its program locations. The Ministry recorded facility rent of \$24,000 related to this program space in both 2018 and 2017. For 2018, this total amount is included in in-kind contributions. Of this amount for 2017, \$8,000 was paid to Fellowship and the remaining \$16,000 is included as an in-kind contribution (see Note 7).

See independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (COMPILED) (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. The Ministry's adoption of the new standard in 2020 will require quantitative and qualitative financial statement disclosures regarding the Ministry's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the Ministry's discounted future lease payments. The Ministry is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

NOTE 12 - SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through August 20, 2019 which is the date the financial statements were available to be issued.