



FAMILY FOUNDATION FUND  
*Restoring Fatherhood*

## **Audited Financial Statements**

# **Family Foundation Fund, Inc.**

**December 31, 2012**

**FAMILY FOUNDATION FUND, INC.**

**Audited Financial Statements**

**December 31, 2012**

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**RAYBURN, BATES & FITZGERALD, P.C.**

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**Report of Independent Auditors**

To the Board of Directors  
Family Foundation Fund, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Family Foundation Fund, Inc. (the Foundation) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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.

**Auditor's 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 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 the Foundation as of December 31, 2012, 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.

*Rayburn, Bates & Fitzgerald, P.C.*

August 7, 2013

**FAMILY FOUNDATION FUND, INC.**

**Statement of Financial Position**

**December 31, 2012**

Assets

Cash and cash equivalents	\$ 217,441
Accounts receivable, net of allowance for doubtful accounts and discounts of \$2,200 (note 3)	37,670
Inventory	7,784
Investments (note 2)	2,410
Property and equipment, net of accumulated depreciation of \$54,758 (note 4)	<u>193,394</u>
Total assets	<u>\$ 458,699</u>

Liabilities and Net Assets

Liabilities - Accounts payable	\$ <u>26,489</u>
Total liabilities	<u>26,489</u>
Net assets (note 5):	
Unrestricted:	
Designated	75,000
Undesignated	<u>319,860</u>
	394,860
Temporarily restricted	<u>37,350</u>
Total net assets	<u>432,210</u>
Total liabilities and net assets	<u>\$ 458,699</u>

See accompanying notes to financial statements.

# FAMILY FOUNDATION FUND, INC.

## Statement of Activities

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Donations	\$ 524,853	37,350	562,203
Other	286	-	286
Unrealized gain on investments	910	-	910
	<u>526,049</u>	<u>37,350</u>	<u>563,399</u>
Expenses:			
Education and support	207,299	-	207,299
Management and general	85,042	-	85,042
Fundraising	119,763	-	119,763
	<u>412,104</u>	<u>-</u>	<u>412,104</u>
Change in net assets	113,945	37,350	151,295
Net assets, December 31, 2011	280,915	-	280,915
Net assets, December 31, 2012	<u>\$ 394,860</u>	<u>37,350</u>	<u>432,210</u>



**FAMILY FOUNDATION FUND, INC.**

**Statement of Cash Flows**

**For the Year Ended December 31, 2012**

Cash flows from operating activities:	
Change in net assets	\$ 151,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,642
Unrealized gain on investments	(910)
Provision for uncollectible pledges and discount to present value	(2,200)
Increase in accounts receivable	(35,000)
Decrease in inventory	96
Increase in accounts payable	<u>19,126</u>
Net cash provided by operating activities	<u>142,049</u>
Cash flows from investing activities -	
Purchase of property and equipment	<u>(12,161)</u>
Net cash used by investing activities	<u>(12,161)</u>
Net increase in cash and cash equivalents	129,888
Cash and cash equivalents at beginning of year	<u>87,553</u>
Cash and cash equivalents at end of year	<u><u>\$ 217,441</u></u>

See accompanying notes to financial statements.

# **FAMILY FOUNDATION FUND, INC.**

## **Notes to Financial Statements**

**For the Year Ended December 31, 2012**

### **(1) Nature of Organization and Summary of Significant Accounting Policies**

#### **Nature of Organization**

Family Foundation Fund, Inc. (the Foundation) is a nonprofit organization that is designed to provide mentoring to fatherless and disadvantaged boys, ages ten years and older in the Nashville and Middle Tennessee area. The young boys are provided with Christian surrogate fathers to nurture them into mature, responsible adults. They also are provided with tuition assistance for private Christian education as well as summer mentoring programs.

#### **Summary of Significant Accounting Policies**

##### **Basis of Presentation**

Financial statement presentation follows requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958. The significant accounting policies followed are described below:

##### **Basis of Accounting**

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

##### **Revenue Recognition**

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

##### **Pledge Contributions**

The Foundation recognizes pledge contributions when an unconditional promise to give is received. Pledge contributions are recorded at net realizable value and certain pledges are discounted to present value, depending on when they are scheduled to be received.

##### **Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase.

##### **Inventory**

Inventory consists of paperback copies of books written by the founder of the Foundation. Inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).



**FAMILY FOUNDATION FUND, INC.**

**Notes to Financial Statements, (Continued)**

**For the Year Ended December 31, 2012**

- (1) Nature of Organization and Summary of Significant Accounting Policies, (Continued)  
Summary of Significant Accounting Policies, (Continued)

Property and Equipment

Property and equipment is stated at cost when purchased and fair value if contributed. It is the Foundation's policy to capitalize major purchases. Lesser amounts are expensed. Equipment, furniture, buildings and automobiles are depreciated over their estimated useful lives which range from three to forty years, using the straight-line method of depreciation.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Income taxes are not provided for in the financial statements, since the Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to federal income tax and state franchise and excise taxes on unrelated business income activities. The Foundation does expect to engage in activities that would generate unrelated business income tax. The tax years from December 31, 2009 and forward remain open to tax audit.

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 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 reported period. Actual results could differ from those estimates.

Donated Materials and Services

Donated materials, property or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the financial statements for donated services of volunteers in as much as no objective basis is available to measure the value of such services. However, a number of volunteers have donated their time to the Foundation's program services and fundraising campaigns.

**FAMILY FOUNDATION FUND, INC.**

**Notes to Financial Statements, (Continued)**

**For the Year Ended December 31, 2012**

(1) Nature of Organization and Summary of Significant Accounting Policies, (Continued)

Summary of Significant Accounting Policies, (Continued)

Fair Values

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information. Valuation adjustments may be made to ensure that assets and liabilities are recorded at fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. Assets and liabilities are categorized within the valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels are explained as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(2) Investments

Investments are carried at quoted market prices and following are the aggregate carrying values by investment type at December 31, 2012:

	Cost	Fair Value
Common stock	\$ 37,106	910
Bonds	500	500
Real estate investment trusts	1,000	1,000
	<u>\$ 38,606</u>	<u>2,410</u>

**FAMILY FOUNDATION FUND, INC.**

**Notes to Financial Statements, (Continued)**

**For the Year Ended December 31, 2012**

**(3) Unconditional Promises to Give**

Unconditional promises to give at December 31, 2012 are as follows:

Due within one year	\$	14,503
Due in two to five years		<u>25,367</u>
		39,870
Less allowance for uncollectible pledges		(1,000)
Discount to present value		<u>(1,200)</u>
Present value of pledges receivable	\$	<u><u>37,670</u></u>

The discount rate used to determine the present value of promises to give was 1.72%.

**(4) Property and Equipment**

A summary of property and equipment at December 31, 2012 as follows:

Land and land improvements	\$	202,921
Automobiles		28,240
Furniture and fixtures		<u>16,991</u>
		248,152
Less accumulated depreciation		<u>(54,758)</u>
	\$	<u><u>193,394</u></u>

Depreciation expense for the year ended December 31, 2012 totaled \$9,642.

**(5) Net Assets**

Unrestricted designated net assets of \$75,000 are designated for funding retirement for the Executive Director and Administrative Assistant. Designated funds can be changed at the Board of Directors' discretion.

Temporarily restricted net assets available in future periods after December 31, 2012 were \$37,350.

**FAMILY FOUNDATION FUND, INC.**

**Notes to Financial Statements, (Continued)**

**For the Year Ended December 31, 2012**

**(6) Fair Value Measurements**

The following table presents the assets and liabilities carried at fair value as of December 31, 2012, by caption on the statements of financial position and by FASB ASC 820-10 hierarchy and subject to measurement on a recurring basis:

	<u>Carrying Value</u>	<u>Value Level 1</u>	<u>Value Level 2</u>	<u>Value Level 3</u>
Assets:				
Common stock	\$ 910	910	-	-
Bonds	500	-	-	500
Real estate investment trusts	1,000	-	-	1,000
Total assets at fair value	<u>\$ 2,410</u>	<u>910</u>	<u>-</u>	<u>1,500</u>
Liabilities				
	\$ -	-	-	-
Total liabilities at fair value	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The valuation methodologies used for assets measured at fair value, including their general classification based on the fair value hierarchy, include the following:

- Equities – valuation is based on a quoted market price in a market that is active, and is classified within Level 1 of the valuation hierarchy.
- Bonds and real estate investment trusts – inputs to the valuation methodology are unobservable and significant to the fair value measurement, thus the instruments are classified within Level 3 of the valuation hierarchy.

When a determination is made to classify a financial instrument as level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, since level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources), the gains and losses include changes in fair value due in part to observable factors that are part of the valuation methodology. The following table details the activity for the year ended December 31, 2012 for assets valued using level 3 of the valuation hierarchy:

Fair value at January 1	\$ 1,500
Unrealized gains included in temporarily restricted net assets	-
Fair value at December 31	<u>\$ 1,500</u>

**FAMILY FOUNDATION FUND, INC.**

**Notes to Financial Statements, (Continued)**

**For the Year Ended December 31, 2012**

**(7) Employee Benefits**

In April 2013, the Board of Directors voted to designate \$75,000 to fund retirement for the Executive Director and Administrative Assistant. The retirement accounts are not controlled or maintained by the Foundation.

**(8) Subsequent Events**

Management has evaluated subsequent events through August 7, 2013, the date on which the financial statements were available to be issued.