

***Family Foundation Fund, Inc.***

(A Nonprofit Corporation)

**Financial Statements**

**With Independent Auditors' Report Thereon**

For the Year Ended December 31, 2017

**H A Beasley & Company, PLLC**

**Certified Public Accountants**

**Murfreesboro, Tennessee**



**H A Beasley  
& Company, PLLC**

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Management of  
Family Foundation Fund, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Family Foundation Fund, Inc., which comprise the statement of financial position as of December 31, 2017, 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.

**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 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 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 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 Family Foundation Fund, Inc., as of December 31, 2017, and the changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*H A Beasley & Company, PLLC*

H A Beasley & Company, PLLC

July 31, 2018

*A Positive Difference Through Professional Accounting Service*

Murfreesboro Office: P.O. Box 11669 • 111 MTCS Drive • Murfreesboro, TN 37129 • (615) 895-5675

Shelbyville Office: P.O. Box 1044 • 306 Bethany Lane • Shelbyville, TN 37162 • (931) 680-0660

[www.HABeasley.com](http://www.HABeasley.com)

**FAMILY FOUNDATION FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 53,963
Promises to give, net	7,390
Inventory	<u>4,429</u>
Total current assets	65,782

INVESTMENTS

21,500

PROPERTY AND EQUIPMENT, NET

206,290

TOTAL ASSETS

\$ 293,572

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 5,276
Accrued expenses	4,374
Retirement payable	17,000
Note Payable, related party	<u>12,000</u>
Total current liabilities	38,650

NET ASSETS, UNRESTRICTED

254,922

TOTAL LIABILITIES AND NET ASSETS

\$ 293,572

See accompanying notes to financial statements and independent auditors' report.

**FAMILY FOUNDATION FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>
Revenue and Support	
Private gifts and grants	\$ 495,864
In-kind donations, net of expenses	<u>51,079</u>
Total revenue and support	546,943
Investment income	77
Net assets released from restrictions	<u>-</u>
Total revenue and support	547,020
Expenses	
Program services	226,702
Supporting services	
Management and general	129,256
Fundraising	<u>152,456</u>
Total expenses	508,414
Other income (expense)	
Miscellaneous income	436
Interest income	40
Interest expense	(1,206)
Loss on disposal of property and equipment	<u>(51)</u>
Total other income (expense)	<u>(781)</u>
CHANGE IN NET ASSETS	37,825
NET ASSETS-BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	202,530
PRIOR PERIOD ADJUSTMENT	<u>14,567</u>
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>217,097</u>
NET ASSETS - END OF YEAR	<u><u>\$ 254,922</u></u>

See accompanying notes to financial statements and independent auditors' report.

**FAMILY FOUNDATION FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Supporting Services		
	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses:				
Wages	\$ 92,342	\$ 64,639	\$ 27,703	\$ 184,684
Payroll taxes	7,197	5,038	2,158	14,393
Employee benefits	976	682	293	1,951
Retirement expense	2,943	2,943	-	5,886
Totals	103,458	73,302	30,154	206,914
Professional fees	2,173	6,517	-	8,690
Depreciation	10,364	3,455	-	13,819
Loss on bad debts	-	8,156	-	8,156
Bank charges	-	2,394	-	2,394
Travel, meals and entertainment	7,575	2,525	-	10,100
Printing and reproduction	1,661	3,321	1,661	6,643
Postage	845	1,690	845	3,380
Automobile expense	9,725	4,863	4,862	19,450
Supplies	1,247	1,247	623	3,117
Repairs and maintenance	285	285	-	570
Communications	3,262	2,610	652	6,524
Insurance	8,107	8,107	-	16,214
Charitable donations	4,055	-	-	4,055
Advertisement	25	-	75	100
Subscriptions	-	520	-	520
Gifts and incentives	2,109	-	-	2,109
Tuition	47,232	-	-	47,232
Licenses, registrations and taxes	-	225	-	225
Rent expense	-	8,004	-	8,004
Utilities	226	2,035	-	2,261
Other program expense	24,353	-	-	24,353
Other fundraiser expense	-	-	113,584	113,584
Total functional expenses	\$ 226,702	\$ 129,256	\$ 152,456	\$ 508,414

See accompanying notes to financial statements and independent auditors' report.

**FAMILY FOUNDATION FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 37,825
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,819
Loss on disposal of property and equipment	51
In-kind contributions	(50,805)
(Increase) decrease in operating assets:	
Accounts receivable, net	(634)
Inventory	1,871
Increase (decrease) in operating liabilities:	
Accounts payable	4,229
Accrued expenses	867
Net cash provided by operating activities	7,223
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from redemption of investment in real estate investment trust	1,000
Net cash provided by investing activities	1,000
Net increase in cash and equivalents	8,223
Beginning cash and equivalents	45,740
Ending cash and equivalents	<u>\$ 53,963</u>

See accompanying notes to financial statements and independent auditors' report.

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Family Foundation Fund, Inc., (the “Organization”) is a nonprofit organization located in Nashville, Tennessee. The Organization is dedicated to mentoring fatherless and disadvantaged boys, ages ten years and older in the Nashville and Middle Tennessee area. They provide father figures to the young boys to help nurture them into mature, Christ-centered adults who will impact their families and communities for generations. The Organization also provides tuition assistance for private Christian education and offers summer mentoring programs.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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”. The Organization had no temporarily restricted net assets as of December 31, 2017.

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets as of December 31, 2017.

Use of Estimates

The preparation of the 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 amount of revenue and other support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash and Equivalents

Cash and equivalents include cash and short-term investments with an initial maturity date of three months or less.

Inventory

Inventory consists of books written by the Organization’s founder and the founder’s daughter. Inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO). As of December 31, 2017, inventory totaled \$4,429.

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

The Organization follows the Not-For-Profit Entities subtopic and Revenue Recognition subtopic of the FASB ASC with respect to investments. Under this subtopic, an investment in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

The Fair Value Measurements and Disclosures topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority.

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or level 2 inputs were not available.

Unrealized gains and losses are included in the change in unrestricted net assets.

Promises to Give, Net

Promises to give consist of pledges received from individuals through the Organization's events. Promises to give consist of contributions due in less than one year that are recorded at their realizable value upon receipt and contributions due in more than one year that are recorded at their discounted value. The Organization provides an allowance for doubtful collectability based on management's judgement, including such factors as prior collection history, type of contribution and the nature of the fundraising event. As of December 31, 2017, management estimated the allowance for doubtful collectability to be \$8,156.

Property and Equipment, Net

Property and equipment are stated at cost. The Organization capitalizes the costs of additions and major improvements, and maintenance and repairs are charged to expense as incurred. When assets are retired, or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected on the statement of income. For financial statement purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets. Vehicles, furniture and equipment are depreciated over 5 years; land improvements are depreciated over 15 years.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in temporarily restricted net assets. When restrictions are considered met, an appropriate amount is reclassified to unrestricted net assets. The useful lives of the long-lived assets are calculated based on the organization's depreciation policy.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions of assets and specialized services are recorded at their estimated fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend is substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – NATURE OF ACTIVITIES OF AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Materials and Services

Donated materials, property or equipment are reflected as contributions in the accompanying statements at their estimated fair 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 Organization's program services and fundraising campaigns. Contributed services include agricultural work performed on the Son Farm and time given to the Mentor and Surrogate Father programs.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services, management and general and fundraising expense categories.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014, and to state tax authorities for years before 2012.

The Organization has evaluated its tax positions for all open tax years. Based on the evaluation of the Organization tax positions, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the year ended December 31, 2017.

Advertising

The Organization records the cost of non-direct responsive advertising as an expense in the period incurred. For the year ended December 31, 2017, advertising costs totaled \$100.

**NOTE B – PRIOR PERIOD ADJUSTMENT**

The Organization's financial statements as of December 31, 2016, contained the following errors: overstatement of accrued liabilities totaling \$14,567. Unrestricted net assets as of January 1, 2017, has been increased by \$14,567 to correct the aggregate effect of the errors. Had the errors not been made, net income for 2016 would have increased by \$14,567.

**NOTE C – INVESTMENTS**

Investments are stated at fair value in the statement of financial position. As of December 31, 2017, investments consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Debt security	\$ 500	\$ 500
Artwork	21,000	21,000
Total investments	<u>\$ 21,500</u>	<u>\$ 21,500</u>

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE C – INVESTMENTS (CONTINUED)**

For donated investments, cost is determined to be the fair value at the date of gift. During the year ended December 31, 2017, the Organization received a donation of a piece of artwork with an appraised value of \$21,000. As of December 31, 2017, both the unrealized gain (loss) and the change in the unrealized gain (loss) on these investments totaled \$-0-.

The Organization held shares in a real estate investment trust which had been classified as a Level 3 investment. These shares were fully redeemed in December 2017 at their fair value of \$1,000. Investment income net of expenses for the year ended December 31, 2017 totaled \$77.

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. 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.

Fair value measurements as of December 31, 2017 are determined as follows in accordance with the FASB ASC 820-10, *Fair Value Measurement*:

Fair Value Measurements at December 31, 2017				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Totals
Debt security	\$ -	\$ -	\$ 500	\$ 500
Artwork	-	21,000	-	21,000
	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 500</u>	<u>\$ 21,500</u>

The fair value of the Foundation's investment in a debt security, which is made up of a bond, is estimated based on discounted cash flows. The valuation methodologies used for this investment are based on inputs that are unobservable and significant to the fair value measurement, thus the instrument is classified with Level 3 of the valuation hierarchy. The sensitivity to fair value changes is deemed low for the bond due to the limited trade transaction for such assets.

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. There was no change in the fair market value during 2017.

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE C – INVESTMENTS (CONTINUED)**

The fair value of the artwork held as an investment was estimated using an appraisal received from an appraiser of fine art as of the date the artwork was received as a contribution in November 2017. The appraisal used the market comparison approach which included observable inputs such from transactions involving comparable assets. As such, the investment in artwork is considered to be a Level 2 financial instrument.

**NOTE D – PROMISES TO GIVE, NET**

Promises to give, net are composed of the following as of December 31, 2017:

Due within 1 year	\$ 15,546
Due within 1-5 years	-
Total	<u>15,546</u>
Allowance for uncollectible promises to give	<u>(8,156)</u>
Promises to give, net	<u>\$ 7,390</u>

**NOTE E – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is composed of the following as of December 31, 2017:

Land	\$ 130,000
Land improvements	82,600
Automobiles	44,800
Furniture and equipment	<u>39,194</u>
Total	296,594
Less: accumulated depreciation	<u>90,304</u>
Total property and equipment, net	<u>\$ 206,290</u>

For the years ended December 31, 2017, depreciation expense totaled \$13,819.

**NOTE F – ACCRUED EXPENSES**

As of December 31, 2017, accrued expenses are composed of payroll liabilities which totaled \$4,374.

**NOTE G – SON FARM**

In 2003, the Organization purchased a seven-acre farm as part of a mentoring summer program. The farm is operated by the boys and volunteers throughout the summer and is used for Son Camp. Farm produce is sold individually or by the pound with prices up to \$8. Farm supplies are expensed in the current year, and no farm inventory is held at year end.

**NOTE H – UNRESTRICTED NET ASSETS**

Unrestricted net assets as of December 31, 2017, consist of voluntary and board-approved segregations for specific purposes and are used as an aid in planning future expenditures. As of December 31, 2017, unrestricted net assets totaled \$256,922.

**FAMILY FOUNDATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE I- LEASE OBLIGATION**

The Organization leases office space on a month-to-month basis requiring monthly lease payments of \$667. The Organization does not have a formal lease agreement with David Long, who is a member of the Organization's Advisory Council. For the year ended December 31, 2017, lease expense totaled \$8,004.

**NOTE J – EMPLOYEE BENEFITS**

The Organization adopted a Simple IRA plan in which employees receiving at least \$5,000 in compensation are eligible to participate. The Organization makes matching contributions to the plan of up to 3% of a participant's salary. During the year ended December 31, 2017, \$5,886 was paid to the retirement accounts in the form of employer contributions. In January 2015, the Board of Directors voted to designate \$25,000 of bonuses to be paid for the purpose of retirement funding for the Executive Director and Administrative Assistant. These designated funds were to be paid in the form of employer contributions and bonuses to employees to fund employee contributions. As of December 31, 2017, \$17,000 was still to be contributed to the retirement accounts for these employees.

**NOTE K - RELATED PARTY TRANSACTIONS**

In 2016, the Organization received a loan from the founder totaling \$12,000. The loan carries no interest and was not collateralized. The loan is represented in current liabilities on the statement of financial position. The outstanding balance on the loan as of December 31, 2017 was \$12,000.

**NOTE L - CONCENTRATION OF RISK**

At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation ("FDIC") limit, which is \$250,000 for substantially all depository accounts. As of December 31, 2017, the Organization had no funds in excess of the FDIC limits.

**NOTE M – CASH FLOW INFORMATION**

During the year ended December 31, 2017, net cash provided by operating activities included cash payments of interest totaling \$1,206. There were no cash payments for income taxes during the year ended December 31, 2017.

During the year ended December 31, 2017, non-cash investing activities excluded from the statement of cash flows include in-kind contributions of investments and equipment totaling \$50,805. These include a piece of artwork with a fair value of \$21,000 and a recreational vehicle to be used at the Son Farm with a fair value of \$29,805.

**NOTE N - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 31, 2018, which is the date the financial statements were available to be issued. There have been no other adjustments to the financial statements to include any subsequent transactions or events.