

**Audited Financial Statements**

**Family Foundation Fund, Inc.**

**December 31, 2005**

**FAMILY FOUNDATION FUND, INC.**

**Audited Financial Statements**

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**Table of Contents**

	<u>Page Number</u>
Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6-8

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

**CERTIFIED PUBLIC ACCOUNTANTS**

SUITE 300  
5200 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027  
www.rbfcpa.com

**Independent Auditors' Report**

To the Board of Directors  
Family Foundation Fund, Inc.

We have audited the accompanying statement of financial position of Family Foundation Fund, Inc. as of December 31, 2005, and the related statements of activity, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

October 24, 2006

**FAMILY FOUNDATION FUND, INC.**

**Statement of Financial Position**

**December 31, 2005**

Current assets:	
Cash and cash equivalents (note 2)	\$210,511
Pledges receivable, no allowance necessary	94,000
Accounts receivable, no allowance necessary	21,440
Inventory	10,520
Investments (note 3)	<u>18,606</u>
Total current assets	<u>355,077</u>
Property and equipment, net of accumulated depreciation (note 4)	<u>246,253</u>
Total assets	<u>\$601,330</u>
Current liabilities:	
Accounts payable	\$ 8,238
Accrued expenses (note 7)	<u>25,000</u>
Total current liabilities	<u>33,238</u>
Net assets:	
Unrestricted	422,779
Temporarily restricted (note 5)	<u>145,313</u>
	<u>568,092</u>
Total liabilities and net assets	<u>\$601,330</u>

See accompanying notes to financial statements.



**FAMILY FOUNDATION FUND, INC.**

**Statement of Activities**

**For the Year Ended December 31, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
General donations	\$ 276,890	-	276,890
Celebration	61,017	-	61,017
Fundraiser	22,964	-	22,964
Education	32,381	-	32,381
Father's House campaign	-	340,837	340,837
Interest	2,665	-	2,665
Gain on sale of investments	175	-	175
Other	<u>1,291</u>	<u>-</u>	<u>1,291</u>
Total revenue	397,383	340,837	738,220
Net assets released from restrictions (note 6)	<u>195,524</u>	<u>(195,524)</u>	<u>-</u>
	<u>592,907</u>	<u>145,313</u>	<u>738,220</u>
Expenses:			
Education and support	174,024	-	174,024
Management and general	198,981	-	198,981
Fundraising	<u>7,265</u>	<u>-</u>	<u>7,265</u>
Total expenses	<u>380,270</u>	<u>-</u>	<u>380,270</u>
Change in net assets	212,637	145,313	357,950
Net assets, January 1, 2005	<u>210,142</u>	<u>-</u>	<u>210,142</u>
Net assets, December 31, 2005	<u>\$ 422,779</u>	<u>145,313</u>	<u>568,092</u>

See accompanying notes to financial statements.

**FAMILY FOUNDATION FUND, INC.**

**Statement of Functional Expenses**

**For the Year Ended December 31, 2005**

	Program Services	Supporting Services		
	Education and Support	Management and General	Fund Raising	Total
Salaries	\$ 70,338	70,338	-	140,676
Contract labor	719	-	-	719
Total salaries and related expenses	71,057	70,338	-	141,395
Automobile	12,706	4,236	-	16,942
Bank service charges	-	1,332	-	1,332
Charitable donations	6,750	-	-	6,750
Communications	1,878	5,635	-	7,513
Interest	-	322	-	322
Professional services	4,436	13,309	-	17,745
Special events and fundraiser	-	-	7,265	7,265
Supplies	6,699	6,699	-	13,398
Travel	898	899	-	1,797
Enrichment	8,190	-	-	8,190
Training	-	320	-	320
Postage and shipping	-	10,081	-	10,081
Educational expenses	43,193	-	-	43,193
Occupancy	-	6,986	-	6,986
Allowance	1,330	-	-	1,330
Educational services	6,088	-	-	6,088
Dues and subscriptions	-	310	-	310
Gifts and incentives	673	-	-	673
Insurance	-	3,684	-	3,684
Maintenance and cleaning	-	525	-	525
General program expense	3,428	-	-	3,428
Taxes, licenses, and permits	-	12,062	-	12,062
Uncollectible pledges	-	29,407	-	29,407
Unrealized loss on investment	-	25,444	-	25,444
Miscellaneous	-	7,392	-	7,392
Total expenses before depreciation	167,326	198,981	7,265	373,572
Depreciation	6,698	-	-	6,698
Total expenses	\$ 174,024	198,981	7,265	380,270

See accompanying notes to financial statements.

**FAMILY FOUNDATION FUND, INC.**

**Statement of Cash Flows**

**For the Year Ended December 31, 2005**

Cash flows from operating activities:	
Change in net assets	\$ 357,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,698
Unrealized loss on investments	25,444
Increase in pledges receivable	(122,207)
Provision for uncollectible pledges	29,407
Contribution of investments	(32,750)
Gain on sale of investments	(175)
Increase in accounts receivable	(21,440)
Increase in accounts payable	3,351
Increase in accrued expense	<u>25,000</u>
Net cash provided by operating activities	<u>271,278</u>
Cash flow from investing activities:	
Purchase of property and equipment	(195,524)
Proceeds from sale of investments	<u>2,125</u>
Net cash used by investing activities	<u>(193,399)</u>
Net increase in cash and cash equivalents	77,879
Cash and cash equivalents at beginning of year	<u>132,632</u>
Cash and cash equivalents at end of year	\$ <u>210,511</u>

See accompanying notes to financial statements.



# **FAMILY FOUNDATION FUND, INC.**

## **Notes to Financial Statements**

**December 31, 2005**

### **(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 the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 (90) 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, 2005**

- (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.

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.

- (2) Cash and Cash Equivalents

At December 31, 2005 the Foundation maintained cash in a local financial institution in excess of federal deposit insurance limits of \$62,554.

**FAMILY FOUNDATION FUND, INC.**

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

**For the Year Ended December 31, 2005**

(3) Investments

Investments held by the Foundation consist of equity securities and a debt security. Investments in marketable securities are stated at fair value as determined by the custodian and/or investment manager primarily based on quoted market prices or net asset values.

Basis in equity securities	\$ 43,550
Basis in debt security	500
Unrealized loss	<u>(25,444)</u>
	<u>\$ 18,606</u>

(4) Property and Equipment

A summary of property and equipment at December 31, 2005 as follows:

Land	\$ 35,700
Automobiles	24,021
Office equipment	10,920
Furniture and fixtures	17,451
Construction in progress	<u>178,073</u>
	266,165
Less accumulated depreciation	<u>19,912</u>
	<u>\$ 246,253</u>

Depreciation expense for the year ended December 31, 2005 totaled \$6,698.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2005:

Father's House building	<u>\$ 145,313</u>
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(6) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the year.

Purpose restrictions accomplished:	
Father's House building	<u>\$ 195,524</u>

(7) Conditional Pledge

Accrued expenses include a conditional pledge to the Foundation of \$25,000 that is expected to be collected in 2007.