

**FAMILY AFFAIR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**FAMILY AFFAIR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

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 statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

September 11, 2017

FAMILY AFFAIR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash	\$ 33,172	\$ 19,997
Grants receivable	20,715	-
Equipment and furnishings	<u>5,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 58,887</u></u>	<u><u>\$ 19,997</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 11,354	\$ 5,346
Accrued payroll	7,320	9,916
Line of credit	<u>-</u>	<u>29,500</u>

Total Liabilities	18,674	44,762
-------------------	--------	--------

NET ASSETS (DEFICIT)	<u>40,213</u>	<u>(24,765)</u>
-----------------------------	---------------	-----------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 58,887</u></u>	<u><u>\$ 19,997</u></u>
---	-------------------------	-------------------------

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

FAMILY AFFAIR MINISTRIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Unrestricted Revenues and Support		
Grants	\$ 317,757	\$ 316,885
Contributions	105,080	89,213
Fees	<u>3,710</u>	<u>6,264</u>
Total Unrestricted Revenues and Support	<u>426,547</u>	<u>412,362</u>
Functional Expenses		
Program services	245,628	325,848
Supporting services		
Management and general	113,441	151,389
Fundraising	<u>2,500</u>	<u>2,500</u>
Total Functional Expenses	<u>361,569</u>	<u>479,737</u>
INCREASE (DECREASE) IN NET ASSETS	64,978	(67,375)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(24,765)</u>	<u>42,610</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ 40,213</u></u>	<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, 2016

		<u>Supporting Services</u>		
	Program	Management	Fund-	
	Services	and	raising	Total
		General		
Salaries, wages and benefits	\$ 167,378	\$ 87,626	\$ 2,500	\$ 257,504
Facility rent	16,799	1,866	-	18,665
Professional services	20,761	6,500	-	27,261
Insurance	8,811	4,744	-	13,555
Phones and internet	6,530	3,516	-	10,046
Supplies	10,593	-	-	10,593
Benevolence	4,255	-	-	4,255
Travel	4,963	2,127	-	7,090
Administrative	-	5,855	-	5,855
Repairs and maintenance	5,538	-	-	5,538
Interest	-	1,207	-	1,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 245,628</u>	<u>\$ 113,441</u>	<u>\$ 2,500</u>	<u>\$ 361,569</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>		
	Program Services	Management and General	Fund- raising	Total
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> </u>	<u> </u>	<u> </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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 64,978	\$ (67,375)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Change in		
Grants receivable	(20,715)	55,594
Accounts payable	6,008	1,845
Accrued payroll	<u>(2,596)</u>	<u>(487)</u>
Net Cash Provided By (Used In) Operating Activities	<u>47,675</u>	<u>(10,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and furnishings	<u>(5,000)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(5,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) borrowings on line of credit, net	<u>(29,500)</u>	<u>9,500</u>
Net Cash (Used In) Provided By Financing Activities	<u>(29,500)</u>	<u>9,500</u>
NET INCREASE (DECREASE) IN CASH	13,175	(923)
CASH - BEGINNING OF YEAR	<u>19,997</u>	<u>20,920</u>
CASH - END OF YEAR	<u><u>\$ 33,172</u></u>	<u><u>\$ 19,997</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u><u>\$ 1,207</u></u>	<u><u>\$ 1,452</u></u>

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

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 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.

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.

Cash

Cash includes checking deposits held by financial institutions.

Equipment, Furnishings and Depreciation

It is the Organization's policy to capitalize all property and furnishings over \$500. Property and equipment acquisitions are recorded at cost. 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 and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from three to five years computed on a straight line method.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements 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, 2016 and 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 statements of financial position at their estimated fair values at the date of the receipt.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2016:

Equipment	\$ 3,800
Furniture	<u>1,200</u>
	5,000
Accumulated depreciation	<u>-</u>
	<u>\$ 5,000</u>

Depreciation expense will begin when the assets are placed in service in 2017.

NOTE 4 - 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, 2016. At December 31, 2015 there were no receivables outstanding. The grants are subject to audit by the government agencies. The Ministry did not seek to renew these contracts in after the June 30, 2017 expiration date.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 5 - 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. The loan is guaranteed by the Ministry's officers.

NOTE 6 - CONCENTRATIONS

Of the Ministry's total revenues and support for 2016, approximately 75% (76% in 2015) represents funds received from two grants. No other revenue and support source represents 10% or more of total revenues and support.

NOTE 7 - 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 statements of activities and changes in net assets. As more fully described in Note 8, the Ministry also uses office and ministry space that is provided by a related party.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Ministry is closely affiliated with Family Affair 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 \$37,500 in 2016 (\$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 statements 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 2016, the Ministry paid Fellowship \$14,000 (\$24,717 in 2015) for rent.

During 2016, the Ministry paid Fellowship \$5,000 to reimburse the purchase of computers and tables. This purchase has been included in the equipment and furnishing of the Ministry.

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.

Included in accounts payable as of December 31, 2016 and 2015 is \$4,535 and \$3,987, respectively due to Fellowship for rent and expense reimbursements.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through September 11, 2017 which is the date the financial statements were available to be issued.