

Family Foundation Fund, Inc.

(A Nonprofit Corporation)

Financial Statements

With Independent Accountant's Review Report Thereon

For the Year Ended December 31, 2018

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee



H A Beasley
& Company, PLLC
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To Management of
Family Foundation Fund, Inc.

We have reviewed the accompanying financial statements of Family Foundation Fund, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'H A Beasley & Company, PLLC'.

H A Beasley & Company, PLLC
August 28, 2019

A Positive Difference Through Professional Accounting Service

Murfreesboro Office: P.O. Box 11669 • 111 MTCS Road • Murfreesboro, TN 37129 • (615) 895-5675
Shelbyville Office: P.O. Box 1044 • 300 Bethany Lane • Shelbyville, TN 37162 • (931) 680-0660
www.HABeasley.com

FAMILY FOUNDATION FUND, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS	
Cash and equivalents	\$ 55,222
Total current assets	55,222
INVESTMENTS	1,700
PROPERTY AND EQUIPMENT, NET	187,059
TOTAL ASSETS	\$ 243,981

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 8,239
Accrued expenses	6,238
Retirement payable	17,850
Note payable, related party	72,979
Total current liabilities	105,306
TOTAL LIABILITIES	105,306
NET ASSETS	
Without donor restrictions	138,675
With donor restrictions	-
TOTAL NET ASSETS	138,675
TOTAL LIABILITIES AND NET ASSETS	\$ 243,981

See accompanying notes to financial statements and independent accountants' review report.

FAMILY FOUNDATION FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Revenue and Support	
Private gifts and grants	\$ 327,739
In-kind donations, net of expenses	<u>2,525</u>
Total revenue and support	330,264
Expenses	
Program services	227,361
Supporting services	
Management and general	124,988
Fundraising	<u>69,731</u>
Total expenses	422,080
Other expenses	
Miscellaneous expense	(2,855)
Interest expense	(1,777)
Impairment loss on investment	<u>(19,800)</u>
Total other expenses	<u>(24,432)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(116,248)
NET ASSETS WITHOUT RESTRICTIONS - BEGINNING OF YEAR	<u>254,923</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 138,675</u>

See accompanying notes to financial statements and independent accountants' review report.

FAMILY FOUNDATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Totals</u>
Compensation and related expenses:				
Wages	\$ 101,474	\$ 71,031	\$ 30,442	\$ 202,947
Payroll taxes	7,796	5,457	2,338	15,591
Employee benefits	834	583	250	1,667
Retirement expense	400	400	-	800
Totals	110,504	77,471	33,030	221,005
Professional fees	2,217	6,652	-	8,869
Depreciation	14,423	4,808	-	19,231
Loss on bad debts	-	(213)	-	(213)
Bank charges	-	2,531	-	2,531
Travel, meals and entertainment	3,262	1,087	-	4,349
Printing and reproduction	1,818	3,636	1,817	7,271
Postage	822	1,644	822	3,288
Automobile expense	10,646	5,323	5,323	21,292
Supplies	494	494	246	1,234
Repairs and maintenance	614	614	-	1,228
Communications	3,576	2,860	715	7,151
Insurance	6,326	6,325	-	12,651
Charitable donations	3,818	-	-	3,818
Subscriptions	-	300	-	300
Gifts and incentives	4,429	-	-	4,429
Tuition	36,055	-	-	36,055
Licenses, registrations and taxes	-	556	-	556
Rent expense	-	8,547	-	8,547
Utilities	262	2,353	-	2,615
Other program expense	28,095	-	-	28,095
Other fundraiser expense	-	-	27,778	27,778
Total functional expenses	<u>\$ 227,361</u>	<u>\$ 124,988</u>	<u>\$ 69,731</u>	<u>\$ 422,080</u>

See accompanying notes to financial statements and independent accountants' review report.

FAMILY FOUNDATION FUND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (116,248)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	19,231
Impairment loss on investment	19,800
(Increase) decrease in operating assets:	
Accounts receivable, net	7,390
Inventory	4,429
Increase (decrease) in operating liabilities:	
Accounts payable	2,964
Accrued expenses	39,093
Retirement plan payable	850
Net cash used in operating activities	(22,491)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	23,750
Net cash provided by financing activities	23,750
Net increase in cash and equivalents	1,259
Beginning cash and equivalents	53,963
Ending cash and equivalents	<u>\$ 55,222</u>

See accompanying notes to financial statements and independent accountants' review report.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes such as endowment by the Organization’s board of directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as restricted revenue when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions.” The Organization had no net assets with donor restrictions as of December 31, 2018.

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.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 *Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, Financial Statements for Not-for-Profit Entities*, with respect to investments. Under this subtopic, an investment in marketable securities with a readily determinable fair value and all investments in debt securities are reported at their fair values in the statement of financial position. Other investments are also recorded at their fair value under this ASC.

The Fair Value Measurements and Disclosures topic of the *Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, Fair Value Measurement*, 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 net assets without donor restrictions.

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, 2018, the total unconditional promises to give totaled \$-0- and management estimated the allowance for doubtful collectability to be \$-0-.

Property and Equipment, Net

Property and equipment are stated at cost. The Organization capitalizes the costs of additions and major improvements. Maintenance and repairs are charged to expense as incurred. When assets are retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected on the statement of activities. 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 net assets with donor restrictions. When restrictions are considered met, an appropriate amount is reclassified to net assets without donor restrictions. The useful lives of the long-lived assets are calculated based on the organization's depreciation policy.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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. Restricted contributions whose restrictions are met or accrued in the period the contributions are received are reported as contributions without donor restrictions.

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. Certain expenses, including wages and related payroll expenses, are allocated based on the efforts expended by employees. Other expenses are allocated based on an estimate of the benefits to programs and supporting services.

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 2015, and to state tax authorities for years before 2013.

The Organization has evaluated its tax positions for all open tax years. Based on this evaluation, 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, 2018.

NOTE B – IMPLEMENTATION OF ASU 2016-14

During the year ended December 31, 2018, the Organization implemented the *ASU No. 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, which requires the Organization to report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. The Organization has applied the new standard on a retrospective basis. There was no cumulative effect on the financial statements due to the application of this ASU. The change only affects the presentation of net assets from reporting unrestricted, temporarily restricted and permanently restricted net assets to net assets with and without donor restriction.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE C – INVESTMENTS

Investments are stated at fair value in the statement of financial position. As of December 31, 2018, investments consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Debt security	\$ 500	\$ 500
Artwork	<u>21,000</u>	<u>1,200</u>
Total investments	<u>\$ 21,500</u>	<u>\$ 1,700</u>

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, 2018, an impairment loss of \$19,800 was recorded based on the fair values observed on recent sales of identical pieces of artwork.

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, 2018 are determined as follows in accordance with the *FASB ASC 820-10, Fair Value Measurement*:

Fair Value Measurements at December 31, 2018				
	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	-	<u>1,200</u>	-	<u>1,200</u>
	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 500</u>	<u>\$ 1,700</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.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE C – INVESTMENTS (CONTINUED)

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 Level 3 investments are reported at fair value on a recurring basis determined by quoted market prices for similar assets. The following table sets forth a summary of changes in the fair value of the Organization's Level 3 investments for the year ended December 31, 2018:

Balance, beginning of year	\$ 500
Contributions	-
Investment income	-
Investment fees	-
Realized gains (losses)	-
Unrealized gains (losses)	-
Balance, end of year	<u>\$ 500</u>

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment, net is composed of the following as of December 31, 2018:

Land	\$ 130,000
Land improvements	82,600
Vehicles	44,800
Furniture and equipment	<u>39,194</u>
Total	296,594
Less: accumulated depreciation	<u>(109,535)</u>
Total property and equipment, net	<u>\$ 187,059</u>

For the years ended December 31, 2018, depreciation expense totaled \$19,231.

NOTE E – ACCRUED EXPENSES

As of December 31, 2018, accrued expenses are composed of payroll tax liabilities and accrued salaries, which totaled \$6,238.

NOTE F – 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.

FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G - LEASE OBLIGATION

The Organization leases office space on a month-to-month basis requiring monthly lease payments of \$715. 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, 2018, lease expense totaled \$8,547.

NOTE H – 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 usually makes matching contributions to the plan of up to 3% of a participant's salary. During the year ended December 31, 2018, \$800 was paid to the retirement accounts in the form of employer contributions, which is lower than the 3% match because of excess contributions that were found to have been made in prior years.

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, 2018, \$17,000 was still to be contributed to the retirement accounts for these employees.

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is supported in part by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus some financial assets may not be available for general expenditure within one year.

The following reflects the Organization's financial assets as of December 31, 2018. As of December 31, 2018, there were no contractual or donor-imposed restrictions that were not available for general expenditure within one year of the date of the statement of financial position.

Financial assets as of year-end:	
Cash and equivalents	\$ 55,222
Investments	<u>500</u>
Total financial assets as of year-end	55,722
Less those unavailable for general expenditure within one year:	<u>-</u>
Total financial assets available for general expenditures within one year	<u>\$ 55,722</u>

NOTE J - RELATED PARTY TRANSACTIONS

The founders of the Organization from time to time have loaned the Organization funds to help meet cash flow requirements in the form of cash loans or postponement of salaries. The loan carries no interest and is not collateralized. The loans are shown in current liabilities on the statement of financial position.

**FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE J - RELATED PARTY TRANSACTIONS (CONTINUED)

The outstanding balance on the loans as of December 31, 2018 consisted of the following:

<u>Year</u>	<u>Type</u>	<u>Amount</u>
2016	Cash loan	\$ 12,000
2018	Cash loan	23,750
2018	Postponement of salaries	37,229
	Balance as of December 31, 2018	<u>\$ 72,979</u>

NOTE K - 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, 2018, the Organization had no funds in excess of the FDIC limits.

NOTE L – CASH FLOW INFORMATION

During the year ended December 31, 2018, net cash provided by operating activities included cash payments of interest totaling \$1,777. There were no cash payments for income taxes during the year ended December 31, 2018. Non-cash financing activities for the year ended December 31, 2018 consisted of loans made to the Organization by the founders in the form of postponed salaries totaling \$37,229.

NOTE M – GOING CONCERN

At December 31, 2018, the Organization had cash and cash equivalents of \$55,222, a working capital deficit of \$50,084, and negative cash flows from operations of \$22,491. Additionally, the Organization has incurred losses in two of the last four fiscal years, with the loss in the year ended December 31, 2018 being \$116,248.

Management has taken the following actions to ensure that the Organization will continue as a going concern through December 31, 2019:

- Reducing the workforce through the phased-in retirement of the founders over the next three to four years;
- Phasing out the tuition program by 2023 with an expected decrease in 2019 of approximately \$7,000;
- Contracting with an experienced grant writer to prepare and submit grant applications in an effort to increase revenues from sources not previously tapped;
- Working with board members to identify new donor pools to focus on younger individuals that may not know about the Organization; and
- Monitoring closely the progress toward the 2019 budget which shows a reduction in the operating expenses for 2019.

These actions are expected to decrease specific 2019 expenses by approximately \$51,000 with other reductions coming from overall budget decreases. Management believes that these actions will enable the Organization to continue as a going concern through August 13, 2020, which is one year from the date these financial statements were issued.

**FAMILY FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE N - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 28, 2019, 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.