

**FAMILY AFFAIR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Family Affair Ministries, Inc.

Management is responsible for the accompanying financial statements of Family Affair Ministries, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Blankenship CPA Group, PLLC
September 5, 2018

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash	\$ 6,825
Equipment and furnishings	<u>4,069</u>
 TOTAL ASSETS	 <u><u>\$ 10,894</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 984
Payroll liabilities	1,761
 Total Liabilities	 <u>2,745</u>
 NET ASSETS	 <u>8,149</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 10,894</u></u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

Unrestricted Revenues and Support	
Grants	\$ 130,545
Contributions	167,818
In-kind contributions	113,300
Fees	<u>302</u>
Total Unrestricted Revenues and Support	<u>411,965</u>
Functional Expenses	
Program services	289,816
Supporting services	
Management and general	151,579
Fundraising	<u>2,634</u>
Total Functional Expenses	<u>444,029</u>
DECREASE IN NET ASSETS	(32,064)
NET ASSETS - BEGINNING OF YEAR	<u>40,213</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,149</u></u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fund-</u>	<u>Total</u>
	<u>Services</u>	<u>and</u>	<u>raising</u>	
		<u>General</u>		
Salaries, wages and benefits	\$ 157,345	\$ 111,305	\$ 2,634	\$ 271,284
Facility rent	79,497	7,570	-	87,067
Bus transportation	35,500	-	-	35,500
Insurance	4,444	4,266	-	8,710
Supplies	6,521	2,059	-	8,580
Phones and internet	1,382	6,922	-	8,304
Professional services	1,498	5,934	-	7,432
Travel	1,695	5,674	-	7,369
Administrative	-	6,929	-	6,929
Benevolence	1,003	430	-	1,433
Depreciation	931	-	-	931
Repairs and maintenance	-	325	-	325
Interest	-	165	-	165
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total functional expenses	<u>\$ 289,816</u>	<u>\$ 151,579</u>	<u>\$ 2,634</u>	<u>\$ 444,029</u>

See the accompanying notes and independent accountants' compilation report.

FAMILY AFFAIR MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (32,064)
Adjustments to reconcile decrease in net assets to net cash used in operating activities	
Depreciation	931
Change in:	
Grants receivable	20,715
Accounts payable	(8,609)
Accrued payroll	<u>(7,320)</u>
Net Cash Used In Operating Activities	<u>(26,347)</u>
NET DECREASE IN CASH	(26,347)
CASH - BEGINNING OF YEAR	<u>33,172</u>
CASH - END OF YEAR	<u><u>\$ 6,825</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest paid during the year	<u><u>\$ 165</u></u>

See the accompanying notes and independent accountants' compilation report.

**FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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 Ministry'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 seven years computed on a straight line method.

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, facility use 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.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017 and 2016.

NOTE 3 - GRANTS

Grants receivable consisted of amounts due from the state and local government agencies under reimbursable contracts. The Ministry could request reimbursement for expenses incurred up to the total amount of the award. All grants receivable were collectible within one year. The Ministry did not seek to renew these grants after the June 30, 2017 expiration date.

NOTE 4 - EQUIPMENT AND FURNISHINGS

Equipment and furnishings consist of the following as of December 31, 2017:

Equipment	\$ 3,800
Furniture	<u>1,200</u>
	5,000
Accumulated depreciation	<u>(931)</u>
	<u>\$ 4,069</u>

Depreciation expense was \$931 for 2017.

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. There were no amounts outstanding at December 31, 2017.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 6 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in unrestricted revenues and expenses in the financial statements for the year ended December 31, 2017:

Facility rent	\$ 77,800
Bus transportation	<u>35,500</u>
	<u>\$ 113,300</u>

NOTE 7 - CONCENTRATIONS

Of the Ministry's total revenues and support for 2017, approximately 92% represents funds received from a government grant, a related party (see Note 9), and in-kind contributions (see Note 6). No other revenue and support source represents 10% or more of total revenues and support.

NOTE 8 - LEASING ARRANGEMENTS

The Ministry provides programing at two locations. At one of these locations, the ministry space is provided free of charge. An in-kind contribution and facility rent expense has been recorded on the statement of activities and changes in net assets (see Note 6). As more fully described in Note 9, the Ministry also uses office and ministry space that is provided by a related party.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Ministry is closely affiliated with Family Affair Ministries 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 \$134,000 toward the operations of the Ministry. Fellowship provides the Ministry free use of its transportation equipment in its programing which has been reflected in the statement of activities and changes in net assets as an in-kind contribution and bus transportation expense totaling \$35,500 (see Note 6).

The Ministry uses Fellowship's church facility as one of its program locations. During 2017, the Ministry recorded facility rent of \$24,000 related to this program space. Of this amount, \$8,000 was paid to Fellowship and the remaining \$16,000 is included as an in-kind contribution (see Note 6).

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through September 5, 2018 which is the date the financial statements were available to be issued.

FAMILY AFFAIR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 11 - RECENT ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one “without donor-imposed restrictions” and one “with donor-imposed restrictions,” which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization’s liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Ministry is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.