

FOR HIS CHILDREN

Financial Statements For The Years Ended
December 31, 2020 And 2019

Together With Independent Accountants' Compilation Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of the
For His Children:

Management is responsible for the accompanying financial statements of For His Children (the Organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis and the related statements of revenues, expenses, and other changes in net assets, functional expenses, and cash flows—modified cash basis as of December 31, 2020 and 2019, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. 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 AICPA. 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.

We draw attention to Note (2) of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

JDS Professional Group

May 17, 2021

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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FOR HIS CHILDREN

Statements Of Assets, Liabilities, And Net Assets - Modified Cash Basis
As Of December 31, 2020 And 2019

Page -3-

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 550,394	\$ 342,152
Investments	101,814	92,461
Non-Current Assets:		
Property and equipment net of accumulated depreciation of \$302,225 and \$266,884, respectively	<u>856,811</u>	<u>892,152</u>
TOTAL ASSETS	<u><u>\$ 1,509,019</u></u>	<u><u>\$ 1,326,765</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued payroll liability	\$ 242	\$ 242
Non-Current Liabilities:		
Refundable advance - PPP Loan	<u>47,320</u>	
Total Liabilities	<u>47,562</u>	<u>242</u>
Net Assets:		
Net assets without donor restrictions	1,455,900	1,326,523
Net assets with donor restrictions	<u>5,557</u>	
Total Net Assets	<u>1,461,457</u>	<u>1,326,523</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,509,019</u></u>	<u><u>\$ 1,326,765</u></u>

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDRENStatement Of Revenues, Expenses, And Other Changes in Net Assets - Modified Cash Basis
For Year Ended December 31, 2020

Page-4-

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Support and Revenue:			
Contributions	\$ 847,829	\$ 10,864	\$ 858,693
Other revenue	1,623		1,623
Investment income	5,883		5,883
Net assets released from restrictions-			
Satisfaction of purpose restrictions	5,307	(5,307)	
Total Support and Revenue	<u>860,642</u>	<u>5,557</u>	<u>866,199</u>
Expenses:			
Program Services	<u>492,204</u>		<u>492,204</u>
Supporting Services-			
Management and general	147,229		147,229
Fundraising	91,832		91,832
Total Supporting Services	<u>239,061</u>		<u>239,061</u>
Total Expenses	<u>731,265</u>		<u>731,265</u>
CHANGES IN NET ASSETS FROM OPERATIONS	129,377		134,934
Net Assets, Beginning Of Year	<u>1,326,523</u>		<u>1,326,523</u>
NET ASSETS, END OF YEAR	<u>\$ 1,455,900</u>	<u>\$ 5,557</u>	<u>\$ 1,461,457</u>

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

Statement Of Revenues, Expenses, And Other Changes in Net Assets - Modified Cash Basis
For The Year Ended December 31, 2019

Page -5-

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support and Revenue:			
Contributions	\$ 754,768	\$	\$ 754,768
Other revenue	11,085		11,085
Investment income	8,815		8,815
Net assets released from restrictions-			
Satisfaction of purpose restrictions	23,394	(23,394)	
Total Support and Revenue	<u>798,062</u>	<u>(23,394)</u>	<u>774,668</u>
Expenses:			
Program Services	434,715		434,715
Supporting Services-			
Management and general	175,597		175,597
Fundraising	82,317		82,317
Total Supporting Services	<u>257,914</u>		<u>257,914</u>
Total Expenses	<u>692,629</u>		<u>692,629</u>
CHANGES IN NET ASSETS FROM OPERATIONS	105,433	(23,394)	82,039
Net Assets, Beginning Of Year	<u>1,221,090</u>	<u>23,394</u>	<u>1,244,484</u>
NET ASSETS, END OF YEAR	<u>\$ 1,326,523</u>	<u>\$ 0</u>	<u>\$ 1,326,523</u>

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

Statement Of Functional Expenses
For The Year Ended December 31, 2020

Page -6-

	<u>Program Services</u>	<u>General Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 79,493	\$ 77,344	\$ 58,008	\$ 214,845
Payroll taxes and employee benefits	10,001	9,731	7,298	27,030
Ecuador homes	389,635			389,635
Board expenses		257		257
Contract expense		11,889		11,889
Promotion			16,983	16,983
Bank fees		16,707		16,707
Office expense		6,858		6,858
Other expense		11,720		11,720
Depreciation	<u>13,075</u>	<u>12,723</u>	<u>9,543</u>	<u>35,341</u>
Total	<u>\$ 492,204</u>	<u>\$ 147,229</u>	<u>\$ 91,832</u>	<u>\$ 731,265</u>

See accompanying notes and accountants' compilation report.

FOR HIS CHILDREN

Statement Of Functional Expenses
For The Year Ended December 31, 2019

Page -7-

	<u>Program</u> <u>Services</u>	<u>General</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 45,389	\$ 98,051	\$ 51,857	\$ 195,297
Payroll taxes and employee benefits	5,180	11,189	5,918	22,287
Ecuador homes	375,977			375,977
Board expenses		1,438		1,438
Contract expense		13,828		13,828
Promotion			15,209	15,209
Bank fees		13,951		13,951
Office expense		5,029		5,029
Other expense		14,463		14,463
Depreciation	8,169	17,648	9,333	35,150
Total	<u>\$ 434,715</u>	<u>\$ 175,597</u>	<u>\$ 82,317</u>	<u>\$ 692,629</u>

See accompanying notes and accountants' compilation report.

FOR HIS CHILDREN

Statements Of Cash Flows - Modified Cash Basis
For The Years Ended December 31, 2020 And 2019

Page -8-

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 134,934	\$ 82,039
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(5,883)	(8,815)
Depreciation	35,341	35,150
Net cash provided by investing activities	<u>164,392</u>	<u>108,374</u>
Cash flows from investing activities		
Purchases of investments	(3,470)	(2,904)
Purchases of property and equipment		(13,962)
Net cash (used in) investing activities	<u>(3,470)</u>	<u>(16,866)</u>
Cash flows from financing activities		
Refundable advance proceeds	47,320	
Net cash provided by financing activities	<u>47,320</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	208,242	91,508
Cash And Cash Equivalents, Beginning Of Year	<u>342,152</u>	<u>250,644</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 550,394</u></u>	<u><u>\$ 342,152</u></u>

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

Notes To Financial Statements
For The Years Ended December 31, 2020 And 2019

Page -9-

(1) Nature Of Organization

For His Children (the “Organization”) is a Christian ministry providing care and love to vulnerable children in Ecuador until they can be reunited with their birth family or adopted. The Organization provides a home for the children with normal and special needs, ages newborn-to-young-adult, who have experienced abandonment, abuse, or neglect.

24-hour holistic care is provided by loving, well-trained care givers who offer therapy, medical care, education, spiritual nurturing, emotional support, and lots of tender loving care for the children.

Over 800 children have been cared for by the Organization since it was founded in 1992. On average, the Organization cares for 60 children throughout the year.

The ministry has two locations, a home in Quito and a home in Latacunga. The Latacunga location includes a special residential home (Casa Esperanza) for older children, teens, and young adults with severe special needs. Casa Esperanza will remain the permanent home for some of these individuals who are not adopted because of their significant special needs and are no longer eligible for adoption.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors,

and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2020 and 2019, the Organization did not have any funds that were perpetual in nature.

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

Use Of Estimates

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Organization considers cash and cash equivalents to be cash on hand and demand deposits.

Fair Value Of Investments

The Organization follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the

highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at published net asset value (NAV) of the shares held at the reporting date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Organization 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 financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of assets, liabilities, and net assets.

Investments

Investments are reflected at fair market value and consist of mutual funds that are considered a Level 1 investment. There is no concentration in the mutual funds.

Revenue And Revenue Recognition

Revenue is recognized as received as the financial statements are on a modified cash basis of accounting.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Property And Equipment

Assets having a cost greater than \$1,000 and a life greater than one year are capitalized. Furniture and equipment are recorded at cost and depreciated over a five-year useful life using the straight-line method. Buildings are recorded at cost and depreciated over a thirty two-year useful life using the straight-line method.

Methods Used For Allocation Of Expenses From Management And General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization and therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including salaries, payroll taxes and benefits, and depreciation are allocated to a functional category based on the estimate of time and effort.

Subsequent Events

The Organization has performed an evaluation of subsequent events through May 17, 2021, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Organization has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Organization to determine whether a tax position (and the related tax benefit) solely on the technical merits of the position.

The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the years ended December 31, 2020 and 2019, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to 2017. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) Concentration Of Credit Risk

The Organization's cash demand deposits are held at a financial institution at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2020, \$316,437 exceeded the FDIC limit.

(5) Property And Equipment

Property and equipment consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Land	\$ 70,000	\$ 70,000
Buildings	1,038,744	1,038,744
Leasehold improvements	50,292	50,292
	<u>1,159,036</u>	<u>1,159,036</u>
Less accumulated depreciation	302,225	266,884
	<u>\$ 856,811</u>	<u>\$ 892,152</u>

(6) Refundable Advance - Paycheck Protection Program

On May 8, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$47,320 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Subsequent to year end, the principal amount of the PPP Loan was forgiven under the Paycheck Protection Program and will be recognized as revenue in fiscal year 2021.

(7) Contingencies

The Organization has an agreement in place to pay a former officer two weeks of base salary for each year of employment, payable in twelve equal monthly payments during the year following termination without cause. As of December 31, 2020 and 2019, the investments set-aside for such contingency amounted to \$101,814 and \$92,461, respectively.

The Organization has an agreement to pay a current officer two months of base salary at the time of termination without cause. As of December 31, 2020 and 2019, no amounts have been set-aside relative to this potential contingency.

(8) Liquidity And Availability Of Financial Assets

As of December 31, 2020 and 2019, the Organization had \$658,208 and \$434,613, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

(9) **Net Assets With Donor Restrictions**

Net assets with donor restrictions as of December 31, 2020, consisted of the following:

Child sponsor gifts	\$	50
Bible fund-raiser		449
Christmas party		946
Fence construction casa harlow		4,112
	\$	<u>5,557</u>

As of December 31, 2019, there we no net assets with donor restrictions.