FOR HIS CHILDREN

Financial Statements For The Years Ended
December 31, 2019 And 2018

Together With Independent Accountants' Compilation Report

JDS professional group

certified public accountants, consultants and advisors

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, 2019 and 2018, 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

June 23, 2020

Members:
American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax
www.jdscpagroup.com

Statements Of Assets, Liabilities, And Net Assets - Modified Cash Basis
As Of December 31, 2019 And 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 342,152	$ 250,644
Investments	92,461	80,742
Non-Current Assets:		
Property and equipment net of accumulated depreciation of $266,884 and $231,733, respectively	892,152	913,340
TOTAL ASSETS	$ 1,326,765	$ 1,244,726
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued payroll liability	$ 242	$ 242
Net Assets:		
Net assets without donor restrictions	1,326,523	1,221,090
Net assets with donor restrictions		23,394
Total Net Assets	1,326,523	1,244,484
TOTAL LIABILITIES AND NET ASSETS	$ 1,326,765	$ 1,244,726

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 Year Ended December 31, 2019

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

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support and Revenue:			
Contributions	$ 628,134	$	$ 628,134
Other revenue	244		244
Net assets released from restrictions-			
Satisfaction of purpose restrictions	51,125	(51,125)	
Total Support and Revenue	679,503	(51,125)	628,378
Expenses:			
Program Services	601,218		601,218
Supporting Services-			
Management and general	101,379		101,379
Fundraising	142,532		142,532
Total Supporting Services	243,911		243,911
Total Expenses	845,129		845,129
CHANGES IN NET ASSETS FROM OPERATIONS	(165,626)	(51,125)	(216,751)
Net Assets, Beginning Of Year	1,386,716	74,519	1,461,235
NET ASSETS, END OF YEAR	$ 1,221,090	$ 23,394	$ 1,244,484

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

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

	Program Services	General Administrative	Fundraising	Total
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	$ 434,715	$ 175,597	$ 82,317	$ 692,629

FOR HIS CHILDREN

Statement Of Functional Expenses
For The Year Ended December 31, 2018

	Program Services	General Administrative	Fundraising	Total
Salaries	$ 59,389	$ 37,100	$ 96,223	$ 192,712
Payroll taxes and employee benefits	8,419	5,259	13,640	27,318
Ecuador homes	522,751			522,751
Board expenses		5,953		5,953
Contract expense		15,067		15,067
Promotion			15,400	15,400
Bank fees		10,715		10,715
Office expense		6,923		6,923
Other expense	102	13,767	165	14,034
Depreciation	10,557	6,595	17,104	34,256
Total	$ 601,218	$ 101,379	$ 142,532	$ 845,129

See accompanying notes and accountants' compilation report.

Statements Of Cash Flows - Modified Cash Basis
For The Years Ended December 31, 2019 And 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 82,039	$ (216,751)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized (gain) on investments	(8,815)	
Depreciation	35,150	34,256
Net cash provided by (used in) investing activities	108,374	(182,495)
Cash flows from financing activities		
Purchases of investments	(2,904)	(17,424)
Purchases of property and equipment	(13,962)	(15,829)
Net cash (used in) investing activities	(16,866)	(33,253)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,508	(215,748)
Cash And Cash Equivalents, Beginning Of Year	250,644	466,392
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 342,152	$ 250,644

See accompanying notes and independent accountants' compilation report.

(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 Big National Charity, Inc.'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, 2019 and 2018, 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.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

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, miscellaneous expense, and depreciation which 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 June 23, 2020, 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.

During March 2020 and continuing through the opinion date, the global community has been under a significant threat from coronavirus ("COVID-19"). The Organization cannot reasonablely determine at this time the impact this will have on operating results.

(3) <u>Tax Exempt Status</u>

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, 2019 and 2018, 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 2016. 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) <u>Concentration Of Credit Risk</u>

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, 2019, $82,729 exceeded the FDIC limit.

(5) Property And Equipment

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Land	$ 70,000	$ 70,000
Buildings	1,038,744	1,038,743
Leasehold improvements	50,292	36,330
	1,159,036	1,145,073
Less accumulated depreciation	266,884	231,733
	$ 892,152	$ 913,340

(6) 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, 2019 and 2018, the investments set-aside for such contingency amounted to $92,461 and $80,742, 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, 2019 and 2018, no amounts have been set-aside relative to this potential contingency.

(7) Liquidity And Availability Of Financial Assets

As of December 31, 2019, the Organization had $425,798 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

(8) <u>Net Assets With Donor Restrictions</u>

Net assets with donor restrictions as of December 31, 2018, consisted of the following:

		2018
Family reunification project	$	21,162
Special needs aide		2,232
	$	23,394

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