

FOR HIS CHILDREN

Financial Statements For The Years Ended
December 31, 2018 And 2017

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, 2018 and 2017, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented.

JDS Professional Group

April 18, 2019

FOR HIS CHILDREN

Statements Of Assets, Liabilities, And Net Assets - Modified Cash Basis
As Of December 31, 2018 And 2017

Page -3-

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 331,386	\$ 529,710
Non-Current Assets:		
Property and equipment net of accumulated depreciation of \$231,733 and \$197,476, respectively	<u>913,340</u>	<u>931,767</u>
TOTAL ASSETS	<u>\$ 1,244,726</u>	<u>\$ 1,461,477</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued payroll liability	\$ 242	\$ 242
Net Assets:		
Net assets without donor restrictions	1,221,090	1,386,716
Net assets with donor restrictions	<u>23,394</u>	<u>74,519</u>
Total Net Assets	<u>1,244,484</u>	<u>1,461,235</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,244,726</u>	<u>\$ 1,461,477</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 Year Ended December 31, 2018

Page-4-

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Support and Revenue:			
Contributions	\$ 628,134		\$ 628,134
Other revenue	244		244
Net assets released from restrictions- Satisfaction of purpose restriction	51,125	(51,125)	
Total Support and Revenue	<u>679,503</u>	<u>(51,125)</u>	<u>628,378</u>
Expenses:			
Program Services	<u>601,218</u>		<u>601,218</u>
Supporting Services- Management and general	101,379		101,379
Fundraising	<u>142,532</u>		<u>142,532</u>
Total Supporting Services	<u>243,911</u>		<u>243,911</u>
Total Expenses	<u>845,129</u>		<u>845,129</u>
CHANGES IN NET ASSETS	(165,626)	(51,125)	(216,751)
Net Assets, Beginning Of Year	<u>1,386,716</u>	<u>74,519</u>	<u>1,461,235</u>
NET ASSETS, END OF YEAR	<u>\$ 1,221,090</u>	<u>\$ 23,394</u>	<u>\$ 1,244,484</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, 2017

Page -5-

	Without Donor Restrictions	With Donor Restrictions	2017 Total
Support and Revenue:			
Contributions	\$ 788,105	\$ 53,827	\$ 841,932
Other revenue	7,076		7,076
Net assets released from restrictions- Satisfaction of purpose restriction	17,547	(17,547)	
Total Support and Revenue	<u>812,728</u>	<u>36,280</u>	<u>849,008</u>
Expenses:			
Program Services	<u>458,769</u>		<u>458,769</u>
Supporting Services-			
Management and general	102,249		102,249
Fundraising	121,661		121,661
Total Supporting Services	<u>223,910</u>		<u>223,910</u>
Total Expenses	<u>682,679</u>		<u>682,679</u>
CHANGES IN NET ASSETS	130,049	36,280	166,329
Net Assets, Beginning Of Year	<u>1,256,667</u>	<u>38,239</u>	<u>1,294,906</u>
NET ASSETS, END OF YEAR	<u>\$ 1,386,716</u>	<u>\$ 74,519</u>	<u>\$ 1,461,235</u>

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

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

Page -6-

	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	<u>\$ 601,218</u>	<u>\$ 101,379</u>	<u>\$ 142,532</u>	<u>\$ 845,129</u>

See accompanying notes and accountants' compilation report.

FOR HIS CHILDRENStatement Of Functional Expenses
For The Year Ended December 31, 2017

Page -7-

	Program Services	General Administrative	Fundraising	Total
Salaries	\$ 56,443	\$ 26,741	\$ 72,437	\$ 155,621
Payroll taxes and employee benefits	5,272	2,497	6,766	14,535
Ecuador homes	384,795			384,795
Board expenses		1,872		1,872
Contract expense		31,629		31,629
Promotion			26,726	26,726
Bank fees		14,464		14,464
Office expense		10,430		10,430
Other expense		8,808		8,808
Depreciation	12,259	5,808	15,732	33,799
Total	<u>\$ 458,769</u>	<u>\$ 102,249</u>	<u>\$ 121,661</u>	<u>\$ 682,679</u>

See accompanying notes and accountants' compilation report.

FOR HIS CHILDRENStatements Of Cash Flows - Modified Cash Basis
For The Years Ended December 31, 2018 And 2017

Page -8-

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ (216,751)	\$ 166,329
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	34,256	33,798
Changes in operating assets and liabilities - Increase in payroll liability		<u>30</u>
Net cash provided by (used in) investing activities	<u>(182,495)</u>	<u>200,157</u>
Cash flows from financing activities		
Purchases of fixed assets	<u>(15,829)</u>	<u>(9,160)</u>
Net cash (used in) investing activities	<u>(15,829)</u>	<u>(9,160)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(198,324)	190,997
Cash And Cash Equivalents, Beginning Of Year	<u>529,710</u>	<u>338,713</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 331,386</u></u>	<u><u>\$ 529,710</u></u>

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 sever 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, 2018 and 2017, 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, demand deposits and short-term investments with original maturities of 90 days or less, with the exception of cash and cash equivalents for which the investment advisor has investment discretion.

Restricted Contributions

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), temporarily restricted net assets are reclassified to unrestricted net assets 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.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The change required by the update have been applied retrospectively to all periods presented. A key change required by ASU No. 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 18, 2019, 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, 2018 and 2017, 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 2015. 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, 2018, \$84,386 exceeded the FDIC limit.

(5) **Property and Equipment**

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 70,000	\$ 70,000
Buildings	1,038,743	1,038,743
Leasehold improvements	36,330	8,000
	<u>1,145,073</u>	<u>1,116,743</u>
Less accumulated depreciation	231,733	197,476
	<u>913,340</u>	<u>919,267</u>
Construction in progress		12,500
	<u>\$ 913,340</u>	<u>\$ 931,767</u>

(6) **Contingencies**

The Organization has an agreement in place to pay an officer two weeks of base salary for each year of employment, payable in twelve equal monthly payments during the year following termination without cause.

(7) **Liquidity and Availability of Financial Assets**

As of December 31, 2018, the Organization had \$331,386 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

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

Net assets with donor restrictions as of December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Security wall	\$	\$ 8,500
Family reunification project	21,162	37,442
Additional gift by child sponsor		35
Van purchase		18,542
Special needs aide	2,232	10,000
	<u>\$ 23,394</u>	<u>\$ 74,519</u>