FOR HIS CHILDREN

Financial Statements For The Years Ended
December 31, 2022 And 2021

Together With Independent Accountants' Compilation Report

JDS professional group

certified public accountants, consultants and advisors

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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, 2022 and 2021, 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

July 26, 2023

Statements Of Assets, Liabilities, And Net Assets - Modified Cash Basis
As Of December 31, 2022 And 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 233,697	$ 667,463
Investments	464,016	61,552
Non-Current Assets:		
Beneficial interest in assets held by		
Clark and Melinda Vaughn Legacy Fund	19,480	9,071
Property and equipment net of accumulated		
depreciation of $371,532 and $337,565, respectively	787,503	821,470
TOTAL ASSETS	$ 1,504,696	$ 1,559,556
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued payroll liability	$ 484	$ 484
Total Liabilities	484	484
Net Assets:		
Net assets without donor restrictions	1,484,654	1,527,914
Net assets with donor restrictions	19,558	31,158
Total Net Assets	1,504,212	1,559,072
TOTAL LIABILITIES AND NET ASSETS	$ 1,504,696	$ 1,559,556

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, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Support and Revenue:			
Contributions	$ 935,260	$	$ 935,260
Other revenue	1,397		1,397
Investment loss	(21,237)		(21,237)
Net assets released from restrictions-			
Satisfaction of purpose restrictions	22,087	(22,087)	
Total Support and Revenue	937,507	(22,087)	915,420
Expenses:			
Program Services	689,867		689,867
Supporting Services-			
Management and general	159,751		159,751
Fundraising	120,662		120,662
Total Supporting Services	280,413		280,413
Total Expenses	970,280		970,280
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE TRANSFER	(32,773)	(22,087)	(54,860)
Transfer Of Assets To Beneficial Interest	(10,487)	10,487	
CHANGE IN NET ASSETS	(43,260)	(11,600)	(54,860)
Net Assets, Beginning Of Year	1,527,914	31,158	1,559,072
NET ASSETS, END OF YEAR	$ 1,484,654	$ 19,558	$ 1,504,212

See accompanying notes and independent accountants' compilation report.

Statement Of Revenues, Expenses, And Other Changes in Net Assets - Modified Cash Basis
For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Support and Revenue:			
Contributions	$ 980,546	$ 48,277	$ 1,028,823
Government grant contribution - PPP	47,320		47,320
Other revenue	4,858		4,858
Investment loss	(262)		(262)
Net assets released from restrictions-			
Satisfaction of purpose restrictions	22,676	(22,676)	
Total Support and Revenue	1,055,138	25,601	1,080,739
Expenses:			
Program Services	767,802		767,802
Supporting Services-			
Management and general	138,804		138,804
Fundraising	76,518		76,518
Total Supporting Services	215,322		215,322
Total Expenses	983,124		983,124
CHANGES IN NET ASSETS FROM OPERATIONS	72,014	25,601	97,615
Net Assets, Beginning Of Year	1,455,900	5,557	1,461,457
NET ASSETS, END OF YEAR	$ 1,527,914	$ 31,158	$ 1,559,072

See accompanying notes and independent accountants' compilation report.

FOR HIS CHILDREN

Statement Of Functional Expenses
For The Year Ended December 31, 2022

	Program Services	General Administrative	Fundraising	Total
Salaries	$ 97,206	$ 77,266	$ 74,774	$ 249,246
Payroll taxes and employee benefits	12,245	9,733	9,419	31,397
Ecuador homes	567,169			567,169
Board expenses		5,214		5,214
Contract expense		15,537		15,537
Promotion			26,279	26,279
Bank fees		16,804		16,804
Office expense		9,213		9,213
Other expense		15,454		15,454
Depreciation	13,247	10,530	10,190	33,967
Total	$ 689,867	$ 159,751	$ 120,662	$ 970,280

FOR HIS CHILDREN

Statement Of Functional Expenses
For The Year Ended December 31, 2021

	Program Services	General Administrative	Fundraising	Total
Salaries	$ 92,537	$ 54,208	$ 37,261	$ 184,006
Payroll taxes and employee benefits	33,878	19,846	13,642	67,366
Ecuador homes	623,614			623,614
Board expenses		4,856		4,856
Contract expense		13,564		13,564
Promotion			18,458	18,458
Bank fees		14,783		14,783
Office expense		7,314		7,314
Other expense		13,822		13,822
Depreciation	17,773	10,411	7,157	35,341
Total	$ 767,802	$ 138,804	$ 76,518	$ 983,124

FOR HIS CHILDREN

Statements Of Cash Flows - Modified Cash Basis
For The Years Ended December 31, 2022 And 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	$ (54,860)	$ 88,544
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated stock	(14,701)	(19,832)
Forgiveness of PPP		(47,320)
Unrealized loss on investments	21,237	186
Depreciation	33,967	35,341
Changes in assets and liabilities -		
Increase in payroll liability		242
Net cash (used in) provided by operating activities	(14,357)	57,161
Cash flows from investing activities		
Purchases of investments	(444,409)	(22,747)
Sales of investments	25,000	82,655
Net cash (used in) provided by investing activities	(419,409)	59,908
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(433,766)	117,069
Cash And Cash Equivalents, Beginning Of Year	667,463	550,394
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 233,697	$ 667,463

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

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

> *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed

restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

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

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.

Exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interests in assets held by Clark and Melinda Vaughn Legacy: Valued as reported by Clark and Melinda Vaughn Legacy.

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.

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.

Measure Of Operations

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

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.

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 July 26, 2023, 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 had previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to 2019. 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, 2022, the Organization's deposits did not exceed the FDIC limit.

(5) Investments

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 282,754	$	$	$ 282,754
Exchange traded funds -				
Real Estates	67,156			67,156
Technology	33,180			33,180
Financial Services	24,483			24,483
Energy	33,886			33,886
Consumer Cyclical	17,808			17,808
Beneficial interest in assets held by Clark and Melinda Vaughn Legacy			19,480	19,480
Total at fair value	$ 459,267	$	$ 19,480	478,747
Money market				4,749
Total Investments				$ 483,496

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values are as follows:

Balance, January 1, 2022	$ 9,071
Purchases	10,409
Balance, December 31, 2022	$ 19,480

(6) Endowment

General

The Organization has a beneficial interest in the Clark and Melinda Vaughn For His Children Legacy Endowment Fund (the "Endowment")in which the majority of funds were derived from a transfer from the Organization. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Organization has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) investment policies of the Foundation.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2022, are as follows:

Endowment net assets, beginning of the year	$ 9,071
Transfer from the Organization	10,409
Endowment net assets, end of year	$ 19,480

Return Objectives And Risk Parameters

The Organization follows the investment policy adopted by the Endowment for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives for the Endowment, the Organization relies on the Endowment's investment policy and strategy.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Endowment has not developed a spending policy. However, at such time the earnings are spent, the Endowment will adopt a spending policy to ensure, to the degree reasonably possible, that the Endowment which it is entrusted keep pace with inflation so that the original purpose of the Endowment can be maintained in perpetuity.

(7) **Property And Equipment**

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Land	$ 70,000	$ 70,000
Buildings	1,038,743	1,038,744
Leasehold improvements	50,292	50,292
	1,159,035	1,159,036
Less accumulated depreciation	371,532	337,566
	$ 787,503	$ 821,470

(8) **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, 2022 and 2021, the investments set-aside for such contingency amounted to $32,754 and $61,552, 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, 2022 and 2021, no amounts have been set-aside relative to this potential contingency.

(9) **Liquidity And Availability Of Financial Assets**

As of December 31, 2022 and 2021, the Organization had $697,713 and $729,015, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

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

Net assets with donor restrictions as of December 31, 2022, consisted of the following:

Subject to Expenditure for Specified Purpose:		
Staff incentive program	$	78
Subject to Spending Policy and Appropriation:		
Investments held in perpetuity -		
Beneficial interest in Clark and Melinda Vaughn Legacy		19,480
Total	$	19,558

Net assets with donor restrictions as of December 31, 2021, consisted of the following:

Subject to Expenditure for Specified Purpose:		
Staff incentive program	$	81
Infrastructure projects		21,995
Local Ecuadorian donations		11
Total Subject to Expenditure for Specified Purpose		22,087
Subject to Spending Policy and Appropriation:		
Investments held in perpetuity -		
Beneficial interest in Clark and Melinda Vaughn Legacy		9,071
Total	$	31,158