

Heaven's Family
Pittsburgh, Pennsylvania

Financial Statements

December 31, 2014 and 2013

HEAVEN'S FAMILY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Heaven's Family

We have audited the accompanying financial statements of Heaven's Family (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heaven's Family as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

D'Angelo & Associates, Inc.

Pittsburgh, Pennsylvania

November 13, 2015

HEAVEN'S FAMILY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 1,117,299	\$ 764,750
Investments	7,082	8,066
Deposit on property	-	-
Total current assets	<u>1,124,381</u>	<u>772,816</u>
Property and equipment	11,633	11,633
Security deposit	-	<u>2,126</u>
Total assets	<u><u>1,136,014</u></u>	<u><u>786,575</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 30,482	\$ 15,300
Net assets		
Unrestricted net assets	37,863	189,760
Temporarily restricted net assets	<u>1,067,669</u>	<u>581,515</u>
Total net assets	<u>1,105,532</u>	<u>771,275</u>
Total liabilities and net assets	<u><u>\$ 1,136,014</u></u>	<u><u>\$ 786,575</u></u>

See accompanying notes and independent auditors' report

HEAVEN'S FAMILY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 617,006	\$ 1,956,674	\$ 2,573,680
Merchandise sales	1,858	-	1,858
Interest income	2,199	-	2,199
Unrealized gain/(loss) on investments	97	-	97
	<u>621,160</u>	<u>1,956,674</u>	<u>2,577,834</u>
Net assets released from restrictions	<u>1,470,520</u>	<u>(1,470,520)</u>	<u>-</u>
Total support and revenues	<u>2,091,680</u>	<u>486,154</u>	<u>2,577,834</u>
Expenses			
Program services	2,055,855	-	2,055,855
Management and general	86,384	-	86,384
Fundraising	101,338	-	101,338
	<u>2,243,577</u>	<u>-</u>	<u>2,243,577</u>
Total expenses	<u>2,243,577</u>	<u>-</u>	<u>2,243,577</u>
Change in net assets	<u>(151,897)</u>	<u>486,154</u>	<u>334,257</u>
Net assets, beginning of year	<u>189,760</u>	<u>581,515</u>	<u>771,275</u>
Net assets, end of year	<u>\$ 37,863</u>	<u>\$ 1,067,669</u>	<u>\$ 1,105,532</u>

See accompanying notes and independent auditors' report

HEAVEN'S FAMILY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Grants and contributions	\$ 548,799	\$ 1,324,733	\$ 1,873,532
Merchandise sales	5,458	-	5,458
Interest income	1,250	-	1,250
Unrealized gain on investments	-	316	316
	<u>555,507</u>	<u>1,325,049</u>	<u>1,880,556</u>
Net assets released from restrictions	<u>1,078,909</u>	<u>(1,078,909)</u>	<u>-</u>
Total support and revenues	<u>1,634,416</u>	<u>246,140</u>	<u>1,880,556</u>
Expenses			
Program services	1,451,135	-	1,451,135
Management and general	87,684	-	87,684
Fundraising	77,367	-	77,367
	<u>1,616,186</u>	<u>-</u>	<u>1,616,186</u>
Total expenses	<u>1,616,186</u>	<u>-</u>	<u>1,616,186</u>
Change in net assets	<u>18,230</u>	<u>246,140</u>	<u>264,370</u>
Net assets, beginning of year	<u>171,530</u>	<u>335,375</u>	<u>506,905</u>
Net assets, end of year	<u>\$ 189,760</u>	<u>\$ 581,515</u>	<u>\$ 771,275</u>

See accompanying notes and independent auditors' report

HEAVEN'S FAMILY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/Aid	\$ 1,585,255	\$ -	\$ -	\$ 1,585,255
Compensation	212,584	36,860	73,720	323,164
Travel	103,703	301	2,142	106,146
Printing, publication and postage	36,499	-	8,490	44,989
Fees for Services	3,816	29,855	-	33,671
Payroll taxes	11,354	2,129	4,258	17,741
Rent	800	9,674	-	10,474
Employee benefits	23,409	4,389	8,779	36,577
Information technology	29,482	-	-	29,482
Office expenses	5,133	475	-	5,608
Conferences and meetings	4,122	1,161	263	5,546
Advertising and promotion	-	-	3,133	3,133
Utilities	6,736	277	553	7,566
Depreciation	-	-	-	-
Other expenses	117	-	-	117
Bank Fees	32,845	-	-	32,845
Strategic Planning	-	-	-	-
Cameras for pastors	-	-	-	-
Insurance	-	1,263	-	1,263
Total functional expenses	<u>\$ 2,055,855</u>	<u>\$ 86,384</u>	<u>\$ 101,338</u>	<u>\$ 2,243,577</u>

See accompanying notes and accountants' report

HEAVEN'S FAMILY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Support/Aid	\$ 913,025	\$ -	\$ -	\$ 913,025
Compensation	224,711	36,260	50,265	311,236
Travel	151,309	3,671	1,939	156,919
Printing, publication and postage	60,865	-	3,912	64,777
Fees for Services	4,974	24,582	-	29,556
Payroll taxes	24,288	1,888	2,921	29,097
Rent	25,534	1,793	1,793	29,120
Employee benefits	13,824	4,547	7,716	26,087
Information technology	17,809	-	-	17,809
Office expenses	4,829	11,709	-	16,538
Conferences and meetings	4,284	575	1,934	6,793
Advertising and promotion	-	-	5,946	5,946
Utilities	2,948	207	207	3,362
Depreciation	-	1,927	-	1,927
Other expenses	545	150	734	1,429
Strategic Planning	1,434	-	-	1,434
Cameras for pastors	756	-	-	756
Insurance	-	375	-	375
Total functional expenses	<u>\$ 1,451,135</u>	<u>\$ 87,684</u>	<u>\$ 77,367</u>	<u>\$ 1,616,186</u>

See accompanying notes and accountants' report

HEAVEN'S FAMILY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 334,257	\$ 264,370
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	1,927
Contributed stock	-	(7,750)
(Increase) decrease in value of investments	984	(316)
(Increase) decrease in deposits on property	-	5,000
(Increase) decrease in security deposit	2,126	
Increase (decrease) in accounts payable	<u>15,182</u>	<u>(2,560)</u>
Net cash provided (used) by operating activities	<u>352,549</u>	<u>260,671</u>
Net increase (decrease) in cash	352,549	260,671
Cash and cash equivalents, beginning of year	<u>764,750</u>	<u>504,079</u>
Cash and cash equivalents, end of year	<u><u>1,117,299</u></u>	<u><u>\$ 764,750</u></u>

See accompanying notes and independent auditors' report

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES

Heaven's Family (the Organization) is a non-profit corporation formed with the purpose of working around the world to meet very pressing needs of "the least of these" among Christ's body in obedience to his words found in Matthew 25:31-46. The Organization's support comes primarily from grants and contributions from individual contributors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Significant Programs

The Organization's significant programs are as follows:

Shepherd Serve – Is the teaching arm of the ministry of Heaven's Family, and exists to equip pastors by means of the teaching found at this website (in a growing number of languages), and pastors' conferences around the world.

Orphan's Tear - Help with the pressing needs of the orphanages. Orphan's Tear funds are restricted, see Note 4.

Focused Funds Formerly I was Hungry – Provides opportunities for true followers of Christ to show their love for their spiritual family around the world by meeting their very pressing needs, and is the humanitarian arm of Heaven's Family. Focused funds are restricted for use; see Note 4 for listing of focused funds.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

See accompanying independent auditors' report.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization's investments at December 31, 2014, consisted of stock in a publicly traded company. The Organization classifies investments in one of three categories: trading, available-for-sale or held-to-maturity and its equity securities into trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Organization has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale. The stock held by the Organization at December 31, 2014, was classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in operations. Unrealized holding gains and losses on available-for-sale securities are excluded from operations and are reported as other gains and losses. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to the fair value. The impairment is charged to operations and new cost basis for the security established. To determine if impairment is other-than-temporary the Organization considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in the assessment includes the reason for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity or available-for-sale security as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in "Interest Expense" line item in the statements of activities. Dividend and interest income are recognized when earned.

Fair Value Measurements

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosure about fair value measurements.

See accompanying independent auditors' report.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

In October 2008, the Financial Accounting Standards Board (FASB) issued additional guidance that clarifies the application of fair value measurements in cases where the market for a financial instrument is not active and provides an examples to illustrate key consideration in determining fair value in those circumstances. The Organization has considered that guidance in its determination of estimated fair values (Note 5).

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization had no permanently restricted assets at December 31, 2014 and 2013.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the Pennsylvania Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's Federal Return of Organization Exempt From Income Tax (Form 990) for 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at the fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization did not recognize any donated services for the year ended December 31, 2014 or 2013. However, the Organization receives donated services from a variety of unpaid volunteers assisting in the Organization's programs. These contributed services do not meet the criteria for recognition in the financial statements.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost for purchased items, or fair value at the date of receipt, in the case of donated items. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Expenditures for property and equipment in excess of \$5,000 with determinable lives are capitalized and depreciated.

Subsequent Events

Management has evaluated subsequent events through November 10, 2015 the date the financial statements are available to be issued.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions.

The Organization maintains several bank accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014 and 2013, the Organization had \$565 and \$181,742, respectively, in uninsured cash balances.

NOTE 3 – LEASES

The Organization entered into an operating lease for office space in May 2009. The term of the lease was for three years, beginning in August 2009 and ending in July 2012. The Organization signed a lease amendment agreement on October 16, 2009 and beginning January 2010; the amendment extended the terms of the lease to August 31, 2013 and added additional office space. On January 1, 2012 a cost of maintenance was assessed to monthly rent bringing the monthly rental cost to \$2,225 per month to the conclusion of the lease. At the expiration of the lease on August 31, 2013 the Organization leased the office space on a month to month basis, the Organization vacated the office space in May of 2014, and no longer rents space for their offices.

Rental expense for the lease for the years ended December 31, 2014 and 2013 amounted to \$11,899 and \$28,925, respectively.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose as of December 31:

	2014	2013
Orphan's Tear	\$ 171,807	\$ 145,160
Focused Funds:		
Bibles for Believers	8,397	14,014
Books for Discipleship**	8,377	-
Christian Refugees	15,780	5,152
Christian Widows	14,216	24,663
Christians with Disabilities	20,065	15,634
Critical Medical Needs	12,296	21,059
Cuban House Church	5,099	5,030
Disaster Relief	12,328	33,518
DMF Funds**	200,800	-
Drug Rehab Center	-	420
Education	18,603	2,872
Farming God's Way	21,806	16,248
Food	625	5,254
Human Trafficking	3,058	4,558
Lanterns for Missionaries	407	758
Leper School	3,815	2,514
Leprosy Ministry	2,336	30,775
Micro-Loans	59,771	61,612
Mobilize a Minister	-	7,731
Muslim-Background Believers	-	2,265
National Missionaries	-	5,352
North Korean Christians	34,403	5,496
Persecuted Christians	1,752	13,856
Prisoners	7,063	593
Safe Water	32,313	20,968
Special Projects**	105	-
Sudanese School	24,680	24,505
Unreached People Groups *	2,156	3,192
Victims of Sexual Violence *	1,714	7,723
Village Development	3,427	3,427
Focused Funds General	143,480	28,134
Mission Teams	22,510	-
Heaven's Family Employee Support	216,905	67,401
Expatriate Missionaries	94,078	1,631
	<u>\$ 1,164,172</u>	<u>\$ 581,515</u>

* - Funds started in 2013

** - Funds started in 2014

See accompanying independent auditors' report.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization applies GAAP for fair value measurement of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2014 and 2013:

<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments in publicly traded stock, December 31, 2014	\$ 7,082

<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments in publicly traded stock, December 31, 2013	\$ 8,066

See accompanying independent auditors' report.

HEAVEN'S FAMILY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 – INVESTMENTS

Investment activity for the years ended December 31, 2014 was:

	2014
Market value, beginning of the year	\$ 8,066
Unrealized (depreciation)/appreciation	(984)
Market value, end of year	<u>\$ 7,082</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Office Equipment	\$ 21,266	\$ 21,266
Less: Accumulated Depreciation	9,633	9,633
Property and Equipment, Net	<u>\$ 11,633</u>	<u>\$ 11,633</u>

Depreciation expense for the years ended December 31, 2014 and 2013 totaled \$0 and \$1,927, respectively.

NOTE 8 – COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and personal days off, depending on length of service. An accrual for compensated absences has not been made in these financial statements. The amount of any accrual for compensated absences is not considered material at December 31, 2014 and 2013.

See accompanying independent auditors' report.