

Haven Ministries

Financial Statements

Six Months Ended June 30, 2014 and
Year Ended December 31, 2013

Haven Ministries
Financial Statements
Six Months Ended June 20, 2014 and Year Ended December 31, 2013

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Haven Ministries

We have audited the accompanying financial statements of Haven Ministries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and December 31, 2013, and the related statements of activities and cash flows for the six and twelve month periods 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 audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the 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.

*Members of American Institute
of Certified Public Accountants
and California Society of
Certified Public Accountants*

350 W. Fifth Avenue, Suite 300
Escondido, California 92025
Voice 760-741-2659
Fax 760-743-7428

12631 E. Imperial Hwy., Suite 117E
Santa Fe Springs, California 90670
Voice 562-864-2504
Fax 562-864-1109

www.VanderSpekCPAs.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haven Ministries as of June 30, 2014, and December 31, 2013, and the changes in its net assets and its cash flows for the six and twelve month periods then ended in accordance with accounting principles generally accepted in the United States of America.


Esccondido, California
November 3, 2014

Haven Ministries
 Statements of Financial Position
 June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash	\$ 431,909	\$ 737,651
Investments	777,276	760,479
Accounts receivable	10,843	961
Inventory	81,056	75,443
Prepaid expenses	13,738	14,292
Total Current Assets	1,314,822	1,588,826
Property and equipment, net	52,687	38,055
Other Assets:		
Security deposits	3,490	3,490
Total Assets	\$ 1,370,999	\$ 1,630,371
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 137,647	\$ 185,067
Payroll and related liabilities	72,837	66,794
Accrued expenses and other liabilities	31,260	46,170
Total Current Liabilities	241,744	298,031
Other Liabilities:		
Annuity payment liability	228,018	232,908
Revocable trust liability	1,000	1,000
Total Other Liabilities	229,018	233,908
Total Liabilities	470,762	531,939
Net Assets:		
Unrestricted	834,237	1,048,932
Temporarily restricted	16,500	-
Permanently restricted	49,500	49,500
Total Net Assets	900,237	1,098,432
Total Liabilities and Net Assets	\$ 1,370,999	\$ 1,630,371

See accompanying notes to financial statements

Haven Ministries
Statements of Activities
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

	Six Months Ended June 30, 2014			Total	Year Ended December 31, 2013
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Contributions	\$ 1,233,287	\$ 36,000		\$ 1,269,287	\$ 3,121,789
In-kind contributions	3,306			3,306	5,085
Investment return	17,911			17,911	23,706
Other income	2,449			2,449	4,594
Change in value of split interest agreements	(15,007)			(15,007)	(5,466)
Net assets released from restrictions, satisfaction of program restrictions	19,500	(19,500)		-	
Total Support and Revenue	1,261,446	16,500	-	1,277,946	3,149,708
Expenses:					
Program services	1,243,356			1,243,356	2,714,693
Supporting services					
General and administrative	94,488			94,488	192,342
Fundraising	138,297			138,297	258,366
Total Expenses	1,476,141			1,476,141	3,165,401
Change in Net Assets	(214,695)	16,500	-	(198,195)	(15,693)
Net Assets, beginning	1,048,932	-	49,500	1,098,432	1,114,125
Net Assets, ending	\$ 834,237	\$ 16,500	\$ 49,500	\$ 900,237	\$ 1,098,432

See accompanying notes to financial statements

Haven Ministries
Statements of Cash Flows
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

	<u>Six Months Ended June 30, 2014</u>	<u>Year Ended December 31, 2013</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (198,195)	\$ (15,693)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	4,715	14,183
Donated securities	(3,306)	(5,085)
Change in value of split-interest agreements	15,007	5,466
(Increase) decrease in operating assets:		
Accounts receivable	(9,882)	301
Inventory	(5,613)	(7,163)
Prepaid expenses	554	(14,292)
Security deposits	-	601
Increase (decrease) in operating liabilities:		
Accounts payable	(47,420)	(45,199)
Payroll and related liabilities	6,043	(15,313)
Accrued expenses	(14,910)	30,755
	<u>(253,007)</u>	<u>(51,439)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(19,347)	(8,867)
Net (purchases of) proceeds from investments	<u>(13,491)</u>	<u>23,780</u>
	(32,838)	14,913
Cash Flows from Financing Activities:		
Payments on charitable gift annuity obligations	<u>(19,897)</u>	<u>(45,145)</u>
	(305,742)	(81,671)
Cash, beginning	<u>737,651</u>	<u>819,322</u>
Cash, ending	<u>\$ 431,909</u>	<u>\$ 737,651</u>

See accompanying notes to financial statements

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Haven Ministries (the Organization) operates a radio broadcast ministry dedicated to using the spoken word and music to spread the gospel of Jesus Christ around the world, to minister encouragement to the family of God, and to better inform all people concerning biblical issues. In addition to the radio broadcasts, various literature and music is distributed to further accomplish these same objectives.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports 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.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no temporarily restricted net assets during the year ended December 31, 2013.

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Donated securities are originally carried at their fair market value at the date of donation. Investment gains and losses are included in the change in net assets in the statements of activities.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end and establish an allowance for doubtful accounts for uncollectible amounts. No allowance is considered necessary at June 30, 2014, and December 31, 2013 because management believes all amounts are collectible.

Inventory

Inventory consists primarily of ministry-related books and music compact discs. Inventory is valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Acquisitions of property and equipment of \$1,000 or more are capitalized. Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to ten years.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

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 statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Comparative Information

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through November 3, 2014 which is the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Organization maintains its cash balances at a financial institution where the balances are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014, the Organization's cash balance in excess of \$250,000 was not insured.

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 3 – Investments

Investments consist of the following:

	June 30, 2014	December 31, 2013
Money market	\$ 41,166	\$ 54,548
Fixed income	142,445	482,525
Mutual funds	567,267	-
Equities	26,398	223,406
	<u>\$ 777,276</u>	<u>\$ 760,479</u>

Investment return and its classification included in the statements of activities are as follows:

	June 30, 2014	December 31, 2013
Interest and dividends	\$ 8,485	\$ 21,026
Gain on investments, net	9,426	2,680
	<u>\$ 17,911</u>	<u>\$ 23,706</u>

Note 4 – Property and Equipment

Property and equipment consist of the following:

	June 30, 2014	December 31, 2013
Furniture and equipment	\$ 112,244	\$ 95,512
Leasehold improvements	21,914	19,299
	<u>134,158</u>	<u>114,811</u>
Less accumulated depreciation	<u>(81,471)</u>	<u>(76,756)</u>
	<u>\$ 52,687</u>	<u>\$ 38,055</u>

Depreciation expense for the six months ended June 30, 2014, and year ended December 31, 2013 was \$4,715 and \$14,183, respectively.

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 5 – Charitable Gift Annuities and Revocable Trusts

The Organization has entered into a number of gift annuity agreements whereby it has agreed to pay to the annuitants periodic payments for the remainder of their lives in exchange for a charitable contribution. The value of the contributed assets for the ongoing annuities included in investments is \$543,000 as of June 30, 2014 and December 31, 2013. The Organization records a liability based on the present value of the annuity payments which is \$228,018 and \$232,908 as of June 30, 2014 and December 31, 2013, respectively. At the time of the annuitants' death the remaining principal will be available to the Organization. The annuity payments during the six months ended June 30, 2014, and year ended December 31, 2013 were \$19,897 and \$45,145, respectively. Each year the Organization records the change in value of the split-interest agreements based on the difference between the payments to the annuitants, the change in the liability based on changes in life expectancies, and the termination of any annuities.

The Organization has entered into a trust agreement whereby it has become the trustee with respect to certain assets to be held in trust for the benefit of the trustor. Periodic payments are made to the trustor from the income received by the trust. The trustee has the power of management of the trust assets including sale and reinvestment. The agreements are revocable by the trustor. The agreements terminate upon the death of the trustor and the assets become the property of the Organization.

Note 6 – Permanently Restricted Net Assets (Endowment)

At June 30, 2014 and December 31, 2013, permanently restricted net assets consisted of the following:

Edward A. Maljanian Memorial Endowment Fund \$49,500

The income from the endowment fund is to be used for the general purposes for which the Organization is organized.

Note 7 – Contributions

Included in contributions are bequests totaling \$49,988 and \$282,556 received in the six months ended June 30, 2014 and year ended December 31, 2013, respectively.

During the year ended December 31, 2013 the Organization received \$326,818 in contributions designated for relief work in the Philippines on behalf of the victims of the typhoon. The funds were forwarded to the Philippines in the same year.

Haven Ministries
Notes to Financial Statements
Six Months Ended June 30, 2014 and Year Ended December 31, 2013

Note 8 – Haven Ministries Canada

There is an organization in Canada that shares the same name and broadcasts the radio programs that are produced by the Organization. While the two organizations are not related, they work closely together and share resources. Haven Canada makes a contribution towards the cost of producing the radio broadcasts when it is able.

Note 9 – Accumulated Vacation and Personal Time

Accumulated vacation and personal time is recognized as a liability of the Organization. Employees are allowed to accumulate up to 320 hours of vacation time and 240 hours of personal time. At termination, employees are compensated for accrued vacation time and 50% of accrued personal time. As of June 30, 2014 and December 31, 2013, the liability was \$71,947 and \$66,694, respectively.

Note 10 – Pension Plan

In 2014 the Organization created a retirement plan for its employees. There are no eligibility requirements for the purpose of making salary deferrals to the Plan. In order to receive the employer’s contribution portion of the Plan, an employee must be 21 years of age and must have completed two calendar months of service and 83 hours in each month. The Organization matches the employees’ contributions up to 1 percent. The pension expense for the six months ended June 30, 2014 was \$1,719.

Note 11 – Operating Leases

The Organization leases its building and equipment under various lease agreements. Total rent expense was \$24,645 and \$48,361 for the six months ended June 30, 2014 and year ended December 31, 2013, respectively. Future minimum lease obligations as of June 30, 2014 are due as follows:

Year Ending June 30	
2015	\$ 54,459
2016	57,744
2017	59,568
2018	<u>19,052</u>
	<u>\$ 190,823</u>