

THE ABBA FUND, INC.

FINANCIAL REPORT
(Compiled)

December 31, 2016

CONTENTS

	<u>Page</u>
ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6-10

McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA
RANDY G. BOYD, CPA

PARTNERS:

STEPHEN B. DRISCOLL, CPA
DAVID R. ROGERS, CPA

ACCOUNTANT'S COMPILATION REPORT

Board of Directors
The Abba Fund, Inc.
Gastonia, North Carolina

Management is responsible for the accompanying financial statements of The Abba Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. 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.

The prior year summarized comparative information has been derived from the Organization's 2015 financial statements and, in our compilation report dated July 12, 2016, we stated that we did not express an opinion or provide any assurance about whether those financial statements were in accordance with accounting principles generally accepted in the United States of America.

McCannon, Rogers, Driscoll & Associates, L.L.P.

July 14, 2017
Gastonia, North Carolina

THE ABBA FUND, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015
 See Accountant's Compilation Report

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 587,014	\$ 598,517
Investments	1,119,323	966,128
Current portion of loans receivable	<u>405,924</u>	<u>436,057</u>
Total current assets	2,112,261	2,000,702
PROPERTY AND EQUIPMENT, net	2,940	4,826
OTHER ASSETS		
Loans receivable, less current portion	<u>718,586</u>	<u>805,987</u>
Total assets	<u>\$ 2,833,787</u>	<u>\$ 2,811,515</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 984	\$ 5,932
Payroll liabilities	970	5,639
Note payable	<u>10,000</u>	<u>10,000</u>
Total current liabilities	11,954	21,571
NET ASSETS		
Unrestricted	1,590,289	1,450,887
Temporarily restricted	<u>1,231,544</u>	<u>1,339,057</u>
Total net assets	<u>2,821,833</u>	<u>2,789,944</u>
Total liabilities and net assets	<u>\$ 2,833,787</u>	<u>\$ 2,811,515</u>

See notes to financial statements.

THE ABBA FUND, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years Ended December 31, 2016 and 2015
 See Accountant's Compilation Report

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Support and Revenue				
Contributions	\$ 721,473	\$ 134,386	\$ 855,859	\$ 964,235
Program revenue	189,131	-	189,131	309,338
Investment income	14,867	-	14,867	14,965
Realized loss on investments	(28,310)	-	(28,310)	(36,485)
Unrealized loss on investments	(16,172)	-	(16,172)	(8,173)
Discount on interest-free loans	15,390	-	15,390	16,004
Change in allowance	14,769	-	14,769	2,418
Other	482	-	482	256
Net assets released from restrictions	<u>241,899</u>	<u>(241,899)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,153,529</u>	<u>(107,513)</u>	<u>1,046,016</u>	<u>1,230,550</u>
Expenses				
Program services	837,977	-	837,977	1,077,143
Management and general	55,821	-	55,821	57,771
Fundraising	<u>120,329</u>	<u>-</u>	<u>120,329</u>	<u>107,361</u>
Total expenses	<u>1,014,127</u>	<u>-</u>	<u>1,014,127</u>	<u>1,242,275</u>
Change in net assets	139,402	(107,513)	31,889	(11,725)
Net assets, beginning	<u>1,450,887</u>	<u>1,339,057</u>	<u>2,789,944</u>	<u>2,801,669</u>
Net assets, ending	<u>\$ 1,590,289</u>	<u>\$ 1,231,544</u>	<u>\$ 2,821,833</u>	<u>\$ 2,789,944</u>

See notes to financial statements.

THE ABBA FUND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended December 31, 2016 and 2015
 See Accountant's Compilation Report

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>Total 2015</u>
Contract services	\$ 33,090	\$ 16,298	\$ 74,081	\$ 123,469	\$ 85,464
Program expense	79,969	-	-	79,969	122,877
Fundraising promotions	-	-	11,610	11,610	15,887
Conferences and conventions	38,377	938	3,326	42,641	63,051
Payroll and benefits	178,908	29,373	14,241	222,522	279,394
Occupancy	8,275	1,359	659	10,293	917
Office and other operating expenses	32,393	7,126	14,469	53,988	54,922
Grants expense	464,474	-	-	464,474	613,687
Insurance	595	98	47	740	740
Donations	-	-	-	-	100
Depreciation expense	1,516	249	121	1,886	1,721
Postage	<u>380</u>	<u>380</u>	<u>1,775</u>	<u>2,535</u>	<u>3,515</u>
Total 2016	<u>\$ 837,977</u>	<u>\$ 55,821</u>	<u>\$ 120,329</u>	<u>\$ 1,014,127</u>	
Total 2015	<u>\$ 1,077,143</u>	<u>\$ 57,771</u>	<u>\$ 107,361</u>		<u>\$ 1,242,275</u>

See notes to financial statements.

THE ABBA FUND, INC.

STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2016 and 2015
 See Accountant's Compilation Report

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 31,889	\$ (11,725)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,866	1,721
Realized loss on investments	28,310	36,485
Unrealized loss on investments	16,172	8,173
Dividends reinvested in marketable securities	-	(14,907)
Investment activity in marketable securities	1,141	(18,742)
Discount on interest-free loans	(15,390)	(16,004)
Change in allowance	(14,769)	2,418
(Decrease) increase in accounts payable	(4,948)	4,129
Decrease in payroll liabilities	(4,669)	(7,181)
Net cash provided by (used in) operating activities	<u>37,340</u>	<u>(15,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,318,896)	(1,753,913)
Sales of investments	2,122,360	1,794,660
Loan disbursements	(219,851)	(387,500)
Loan repayments	367,544	438,852
Purchase of equipment	-	(1,389)
Net cash provided by (used in) investing activities	<u>(48,843)</u>	<u>90,710</u>
Net (decrease) increase in cash	(11,503)	75,077
Cash, beginning	<u>598,517</u>	<u>523,440</u>
Cash, ending	<u>\$ 587,014</u>	<u>\$ 598,517</u>

See notes to financial statements.

THE ABBA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

See Accountant's Compilation Report

Note A - Nature of Organization and Summary of Significant Accounting Policies

Nature of Activities

The Abba Fund, Inc. (the Fund) is a North Carolina non-profit corporation that began operations in 2004. The purpose of the Fund is to provide financial assistance to families who desire to adopt children by providing financial assistance through interest free loans.

Sources of Revenue

The Fund receives its revenue from a variety of sources, including companies, churches, and individuals throughout the United States.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are currently available for use in the day-to-day operation of the Fund and those resources invested in property and equipment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Fund and/or the passage of time. 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. Temporarily restricted net assets consist of cash and investments to be used to provide financial assistance to families who desires to adopt children.

Cash

Cash consists of cash on hand, cash in banks, and money market funds.

Contributions

The Fund reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction no longer applies, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE ABBA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

See Accountant's Compilation Report

Note A - Nature of Organization and Summary of Significant Accounting Policies – Continued

Income Tax Status

The Fund is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Fund is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code. The fund has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016. The Fund has tax years ended December 31, 2013, 2014 and 2015 subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of the financial statements in conformity accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Donated Services and Equipment

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in contributions at fair value. During the year, the Fund recorded no contributed services or equipment.

In addition, a number of individuals volunteer their time and perform a variety of tasks that assist the Fund with program services, management and general, and fundraising efforts. However, the value of this contributed time does not meet the criteria for recognition described above and, accordingly, is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimate of time spent and various allocation methods appropriate to the type of expense.

Prior-Year Comparative Totals

The financial statements include certain prior year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Fund's 2015 financial statements, from which the summarized information was derived. Also, certain amounts shown as prior-year comparative totals have been reclassified to conform to the current year presentation.

THE ABBA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

See Accountant's Compilation Report

Note B - Property and Equipment

Property and equipment with a value of \$500 or more is recorded at cost if purchased or fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which range from five to seven years. Equipment consists of the following at December 31, 2016:

Computer equipment	\$ 7,626
Equipment	<u>1,699</u>
	9,325
Less accumulated depreciation	<u>6,385</u>
Net property and equipment	<u>\$ 2,940</u>

Note C - Loans Receivable

Loans receivable represent amounts due to the Fund for loans provided to individuals in need of financial assistance in order to adopt a child. Loans receivable are presented net of an allowance for uncollectible receivables of ten percent, and a discount for present value computed at four percent. Amounts recorded as loan discounts and reserve for uncollectible receivables are shown as discount on interest-free loans in the accompanying financial statements.

Collections of these loans are expected during the year as follows:

2017	\$ 501,931
2018	363,465
2019	217,454
2020	116,697
2021	58,626
Thereafter	<u>121,825</u>
Total loans receivable	1,379,998
Less allowances:	
Non-collectible accounts	138,000
Present value discount	<u>117,488</u>
	<u>255,488</u>
Total loans receivable	1,124,510
Less current portion	<u>405,924</u>
Long-term portion	<u>\$ 718,586</u>

THE ABBA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

See Accountant's Compilation Report

Note D - Note Payable

The \$10,000 balance in notes payable represents an unsecured note, with no interest, from The Great Heart Fund and is payable on demand with a maximum monthly payment of \$1,000.

Note E - Fair Value Measurements

Financial Accounting Standards Codification, Fair Value Measurement, provides the 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 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan 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 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 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. There has been no change in the methodologies used at December 31, 2016 and 2015.

Mutual Funds: Valued at the net asset value (NAV) of shares held at year end.

Money Market Fund: These investments are public investment vehicles using \$1 for the NAV.

THE ABBA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

See Accountant's Compilation Report

Note E - Fair Value Measurements – Continued

The methods previously described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Fund 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.

	Investments at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Fair Value
Exchange Traded Funds	\$ 959,379	\$ -	\$ -	\$ 959,379
Mutual Funds	110,794	-	-	110,794
Money Market	49,150	-	-	49,150
	<u>\$ 1,119,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,119,323</u>

Note F - Concentrations of Risk

Revenue

The Fund receives the majority of its funding from a limited number of funding sources. Any reduction in funding could have a significant effect on the Fund's programs and activities.

Cash in Excess of Insured Limits

The Fund maintains its cash accounts in a commercial bank located in North Carolina. Accounts in the aggregate at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Fund from time to time may have amounts on deposits in excess of the insured limits.

Note G - Subsequent Events

The Fund evaluated the effect subsequent events would have on the financial statements through July 14, 2017, which is the date the financial statements were available to be issued.