

AGAPE INTERNATIONAL MISSIONS

FINANCIAL STATEMENTS

AUDIT REPORT

WITH INDEPENDENT AUDITOR'S REPORT

THEREON

DECEMBER 31, 2015

**AGAPE INTERNATIONAL MISSIONS
DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Agape International Missions
Roseville, CA

We have audited the accompanying financial statements of Agape International Missions (AIM) (a 501(c)(3) nonprofit organization), which comprise the statements of financial position – cash basis as of December 31, 2015, and the related statements of activities – cash basis, and statements of functional expenses – cash basis for the years then ended, cash flows statements, 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 the basis of accounting that AIM uses for income tax purposes; 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 of 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 combining financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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 principles 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.

To the Board of Directors
Agape International Missions

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of AIM as of December 31, 2015; and the revenues and expenses and the functional expenses for the years then ended, in accordance with the cash basis of accounting that AIM uses for reporting purposes as described in Note 2.

Basis of Accounting

We draw your attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in black ink and is positioned above the printed name and address of the firm.

Sacramento, CA
June 9, 2017

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FINANCIAL POSITION
CASH BASIS
DECEMBER 31, 2015**

2015

ASSETS

CURRENT:

Cash in United States bank	\$	203,024
Cash in Cambodian bank		133,168
Total cash		336,192

Employee Advances		
Costs advances		25,588
Total current assets		361,780

Property and equipment, net		722,652
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Notes receivable, net of current		47,046
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Total Assets		\$ 1,131,478
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LIABILITIES AND NET ASSETS

CURRENT

Accounts payable and accrued expenses	\$	171,517
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Total current liabilities		171,517
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NET ASSETS

Unrestricted		959,961
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Total Liabilities and Net Assets		\$ 1,131,478
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The accompanying notes are an integral part of these financial statements

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF ACTIVITIES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>
Revenues:	
Contributions	\$ 3,145,099
Product sales	406,201
	3,551,300
Total Revenue	3,551,300
Expenses:	
Program services	3,082,360
Supporting services:	
Management and general	96,760
Fund development	146,925
Total supporting expenses	243,685
Total Expenses	3,326,045
Revenues over expenses	225,255
Net Assets - Unrestricted, beginning of year	734,706
Net Assets - Unrestricted, end of year	\$ 959,961

The accompanying notes are an integral part of these financial statements

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FUNCTIONAL EXPENSES
INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Activities		Total
		Management and General	Fund Development	
Personnel	\$ 1,769,386	\$ 77,767	\$ 115,831	\$ 1,962,984
Program operating costs	537,690	-	4,233	541,923
Occupancy	217,146	4,472	2,694	224,312
Humanitarian/disaster aid	157,357	-	-	157,357
Vocational training	51,034	-	-	51,034
Other program expenses	14,149	496	6,665	21,310
Travel	43,404	-	6,878	50,282
Vehicle operations	52,775	-	-	52,775
Church support	2,650	-	-	2,650
Office expenses	62,257	9,061	9,607	80,925
Information and	27,624	1,760	1,017	30,401
Education supplies	46,998	-	-	46,998
Leadership/disciple training	16,632	-	-	16,632
Ministry supplies	22,470	-	-	22,470
Depreciation	60,788	3,204	-	63,992
Total Expenses	\$ 3,082,360	\$ 96,760	\$ 146,925	\$ 3,326,045

The accompanying notes are an integral part of these financial statements

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 225,255
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	63,992
(Increase)/Decrease in notes receivable	5,593
(Increase)/Decrease in cost advances	6,024
Increase/(Decrease) in accounts payable and accruals	<u>(20,921)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>279,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(231,032)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(231,032)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>48,911</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>287,281</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 336,192</u></u>
SUPPLEMENTAL DATA:	
Interest paid	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1. ORGANIZATION

Agape International Missions (AIM) is a non-profit organization that was established to plant and support Christian churches in the country of Cambodia. AIM supports church development through leadership and discipleship training programs and other services provided to thousands of individuals.

Additionally, AIM was established to provide medical, food, shelter, and other assistance to the poor and needy as well as education and life skills in cooperation with other non-governmental organizations, governmental organizations, and churches in Cambodia.

AIM's mission also includes serving the needs of victims who have been subjected to sexual trafficking and forced prostitution. AIM has developed and expanded these programs through education, medical, and relief support assistance services. Through its Agape Restoration Center (ARC), AIM serves the needs of persons rescued from sexual exploitation, including providing medical, counseling, educational, vocational, and spiritual services as well as providing a safe and secure living facility.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accounting records are maintained and the financial statements of AIM are prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles (US GAAP). Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Due to the large amount of donations at year end, AIM records receipts as of December based on the December postmark on donors' envelopes.

Functional Expenses – The costs of providing various programs and activities have been summarized on a functional basis in the statement of revenues, expenses, and other changes in net assets – income tax basis and statement of functional expenses – income tax basis. Certain costs have been allocated among programs and supporting services, based on personnel, space, and other taxes. These allocations are reviewed periodically.

Financial Reporting – AIM categorizes its net assets as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. There were no restrictions in 2015.

Concentration of Credit Risk – AIM maintains cash balances with high credit quality financial institutions, in the United States of Cambodia. Accounts in the United States are insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000. Management believes the organization is not exposed to any significant credit risk related to cash in banks.

Property and Equipment – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

useful lives of the assets, ranging from 2 to 39 years. AIM follows the policy of capitalizing, at cost, all expenditures for property and equipment greater than \$200.

Foreign Currency Transactions – Foreign currency transactions are recorded in United States dollars at the exchange rates in effect at the date of the transactions.

Contributed Services- Members of the Board of Directors and other volunteers contribute time to the activities of AIM. The financial statements do not reflect the value of these contributed services because they do not create assets or require specialized skills. In addition, certain operating facilities are not provided in the United States and Cambodia by donors at no cost to AIM. Fair market value rent of \$26,940 in 2015 and \$21,540 in 2014 has been accounted for as contributions and occupancy expense.

Pension Plan – AIM does not sponsor or contribute to either defined benefit or defined contribution pension plans.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated subsequent events through June 9, 2017, which is the date the financial statements were available to be issued.

Costs Advanced – Costs advanced are funds that have been transferred from the foreign bank of Cambodia to the individual ministry programs involved. They represent excess budgeted amounts received by the programs designated for use in the near future.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year's financial statement presentation.

Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of three months or less at the time of purchase.

Donations and Grant Income – AIM receives donations and grants from corporations, foundations, charitable organizations, and individuals. Donations and grants are presented in accordance with presented Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) Topic 958, Not-For-Profit Entities, ASC 958,605 Not-For-Profit Entities-Revenue Recognition.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods - Noncash donations for supplies including household items, prizes, food, and beverages have been recorded as in-kind donations and are recorded at fair market value at the date of donation. During the year ended December 31, 2015, the Organization received \$29,202.

Volunteer Hours – The Organization receives volunteer hours for both program and fund-raising services but were not recognized as contributions in the financial statements as they did not meet the criteria to be recognized as contributions.

Advertising - The cost of advertising is charged to expense as incurred.

NOTE 3. SUBSEQUENT EVENTS

Ratanak, a Canadian based organization, owns the Rahab House church building that AIM currently resides in. Ratanak and AIM have an agreement in place that allows them to rent the Rahab House church building for \$1 per year, for as long as AIM has established residence there. Recently in 2017, Canada changed their tax laws and Ratanak can no longer rent to AIM; therefore, a purchase plan has been put into place for AIM to buy the Rahab House church building in order to allow them to continue the work they perform in Cambodia. Both parties have agreed to the purchase price of \$337,000 and all paper work has been signed. AIM made a down payment for the Rahab House church building on January 26, 2017 in the amount of \$100,000. The remaining \$227,000 is due to Ratanak as soon as the hard title is transferred into AIM's name; which is expected during 2017. AIM has already designated funds in the bank for the purchase of the Rahab House church building.

NOTE 4. NOTE RECEIVABLE

At December 31, 2013, the note receivable, due from an employee, of \$40,000 consists of an unsecured note with interest and principal payments of \$502 per month, including interest at 1.5%. Under terms of agreement, ownership of the property would revert to AIM on default.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5. PROPERTY AND EQUIPMENT

Property, equipment and depreciation consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 216,000	\$ -	\$ 216,000
Building	189,126	21,222	167,904
Construction in Progress	278,441	-	278,441
Furniture and Equipment	179,126	145,444	33,682
Vehicles	79,585	52,960	26,625
	<u>\$ 942,278</u>	<u>\$ 219,626</u>	<u>\$ 722,652</u>
Total			

Depreciation expense for the years ended December 31, 2015 was \$63,992

NOTE 6. TAX-EXEMPT STATUS

AIM has been granted tax-exempt status under applicable sections of the Internal Revenue Code and the Revenue and Taxation Code of the State of California. AIM would be subject to income taxes from activities unrelated to its tax-exempt purposes, but has not engaged in any such activities.

AIM complies with the accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management has concluded that AIM has taken no uncertain tax positions that require adjustment to the financial statements.

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. OPERATING LEASE OBLIGATIONS

To fulfill its purpose, AIM occupies various facilities as follows:

- Roseville, California – Office building leased monthly at no cost, estimated fair value of rent \$990 per month.
- Phnom Pehn, Cambodia – Operating facilities leased at \$6,600 a month through May, 2020.
- Svay Pak, Cambodia – Operating facilities leased at \$1 a year, extended through May 2014, estimated fair value rent is \$750 per month.

At December 31, 2015, future minimum lease payments under these arrangements were as follows:

2016	\$	77,743
2017		83,578
2018		51,928
2019		50,083
2020		38,588
Thereafter		28,941
		<hr/>
Total	\$	330,861