

AGAPE INTERNATIONAL MISSIONS
FINANCIAL STATEMENTS &
AUDIT REPORT
WITH INDEPENDENT AUDITOR'S REPORT
THEREON
DECEMBER 31, 2016

**AGAPE INTERNATIONAL MISSIONS
DECEMBER 31, 2016**

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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 statement of financial position as of December 31, 2016, and the related statements of activities, statement of functional expenses, and cash flows for the year 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 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 financial position AIM, Inc., as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 below the printed name of the firm.

Sacramento, CA
May 17, 2018

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	2016
ASSETS	
CURRENT:	
Cash in United States bank	\$ 889,372
Cash in Cambodian bank	326,175
Total cash	1,215,547
Note receivable, current portion	7,505
Employee receiveables	2,881
Cost advances	47,254
Prepaid expenses	96,802
Total current assets	1,369,989
Property and equipment, net	1,315,522
Prepaid expenses, net of current	160,554
Notes receivable, net of current	21,505
Total Assets	\$ 2,867,570
LIABILITIES AND NET ASSETS	
CURRENT	
Accounts payable and accrued expenses	\$ 269,432
Total current liabilities	269,432
NET ASSETS	
Restricted	484,103
Unrestricted	2,114,035
Total Liabilities and Net Assets	\$ 2,867,570

The accompanying notes are an integral part of these financial statements.

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016
Revenues:	
Contributions	\$ 4,980,420
Product sales	611,420
Total Revenue	5,591,840
Expenses:	
Program services	3,477,648
Supporting services:	
Management and general	160,892
Fund development	251,600
Total supporting expenses	412,491
Total Expenses	3,890,139
Revenues over expenses	1,701,701
Net Assets - beginning of year	959,961
Prior period adjustment	(63,524)
Net Assets - end of year	\$ 2,598,138

The accompanying notes are an integral part of these financial statements.

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Supporting Activities		Total
		Management and General	Fund Development	
Personnel	\$ 1,985,187	\$ 112,501	\$ 182,028	\$ 2,279,716
Advertising	3,382	-	294	3,676
Office expenses	37,860	12,434	98	50,392
Information and technology	29,840	1,284	593	31,717
Occupancy	167,589	12,077	-	179,665
Travel	56,832	108	13,324	70,264
Conference and meetings	7,160	606	-	7,766
Insurance	2,052	2,517	791	5,360
Program operating costs	662,810	-	1,478	664,288
Humanitarian aid and outreach	158,622	-	-	158,622
Vocational training and reintegration	48,642	-	-	48,642
Bank charges	24,571	131	11,862	36,564
Education supplies and tuition	55,948	-	-	55,948
Facility utilities	63,425	1,987	-	65,412
Ministry supplies and books	554	-	-	554
Postage and shipping	1,320	533	1,319	3,171
Printing and publications	3,988	-	3,988	7,976
Professional fees	4,024	8,077	4,024	16,125
Radio broadcast	5,850	-	-	5,850
Repairs and maintenance	31,067	-	-	31,067
Telephone	4,494	3,522	-	8,016
Vehicle operations	69,230	-	-	69,230
Events	-	-	31,801	31,801
Depreciation	53,202	5,115	-	58,317
Total Expenses	\$ 3,477,648	\$ 160,892	\$ 251,600	\$ 3,890,139

The accompanying notes are an integral part of these financial statements.

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 1,701,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,317
Prior period adjustment	(63,524)
(Increase)/Decrease in program cost advances	(21,666)
(Increase)/Decrease in prepaid expenses	(257,356)
(Increase)/Decrease in notes receivable	15,155
Increase/(Decrease) in accounts payable and accruals	97,915
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,530,542
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(651,187)
NET CASH (USED IN) INVESTING ACTIVITIES	(651,187)
NET INCREASE IN CASH AND CASH EQUIVALENTS	879,355
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	336,192
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,215,547
SUPPLEMENTAL DATA:	
Interest paid	\$ -

The accompanying notes are an integral part of these financial statements.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1. ORGANIZATION

Agape International Missions (AIM) is a non-profit organization that was originally 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.

AIM's primary mission is 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. Additionally, AIM provides 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.

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 accrual basis of accounting (US GAAP). Due to the large amount of donations at year end, AIM records receipts as of December based on the December postmark on donors' envelopes since it represents an unconditional promise to give at year-end.

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 and statement of functional expenses. Certain costs have been allocated among programs and supporting services, based on personnel and usage. 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 are restricted funds of \$484,103.

Concentration of Credit Risk – AIM maintains cash balances with high credit quality financial institutions, in the United States of America and Cambodia. Accounts in the United States are insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000.

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, 2016**

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 provided in the United States and Cambodia by donors at no cost to AIM. Fair market value rent of \$26,940 in 2016 has been accounted for as contributions and occupancy expense.

Additionally, AIM receives some skilled, contributed time that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

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 May 17, 2018, which is the date the financial statements were available to be issued.

Program 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, AIM 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.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2016, the Organization received \$36,996.

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

NOTE 3. NOTE RECEIVABLE

At December 31, 2016, the note receivable, due from an employee, in the amount of \$29,010 consists of a secured note with interest and principal payments of \$501 per month, including interest at 1.5%. Under terms of agreement, ownership of the property would revert to AIM on default.

NOTE 4. PROPERTY AND EQUIPMENT

Property, equipment and depreciation consist of the following at December 31, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 684,150	\$ -	\$ 684,150
Building	189,126	30,678	158,448
Construction in Progress	395,060	-	395,060
Furniture and Equipment	219,044	181,533	37,511
Vehicles	106,085	65,732	40,353
	<u>\$ 1,593,465</u>	<u>\$ 277,943</u>	<u>\$1,315,522</u>
Total			

Depreciation expense for the year ended December 31, 2016 was \$58,317.

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. OPERATING LEASE OBLIGATIONS

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

- Roseville, California – Office space leased monthly at amounts varying from \$3,335 to \$3,642 per month through September of 2021.
- Cambodia – Various operating facilities leased at \$10,901 a month through May, 2020.
- Svay Pak, Cambodia – Operating facilities leased at \$1 a year, extended through 2018, estimated fair value rent is \$2,000 per month.

At December 31, 2016, future minimum lease payments under these arrangements were as follows:

2017	\$	210,176
2018		153,685
2019		47,754
2020		43,233
2021		<u>33,229</u>
Total	\$	<u>488,077</u>

NOTE 6. TAX-EXEMPT STATUS

AIM has been granted tax-exempt status from the Internal Revenue Service and the State of California under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. 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, 2016**

NOTE 7. PRIOR PERIOD ADJUSTMENT

AIM recorded a prior period adjustment in the 2016 year due to a non-governmental organization review by the Cambodian government. Upon review it was determined AIM had underpaid its payroll and rental taxes. The total prior period adjustment attributable to this review was \$63,524.

NOTE 8. SUBSEQUENT EVENTS

Ratanak International (Ratanak), a Canadian based charitable organization, owns the Rahab House building located in Svay Pak, Cambodia which currently houses some of AIM's operations. Ratanak and AIM entered into an agreement that allows AIM to rent The Rahab House building for \$1 per year, for as long as AIM has established operations in Svay Pak. In 2017 Canada changed their tax laws for charitable organizations and Ratanak will no longer be allowed to rent the facility to AIM. A purchase plan has been put into place for AIM to buy the Rahab House building in order for AIM to continue the service they perform in Cambodia. The parties have agreed to a purchase amount of \$337,000 and a purchase contract has been signed. AIM made a down payment for the Ratanak Rahab House building on January 26, 2017 in the amount of \$100,000. The remaining \$227,000 is due to Ratanak when the hard title is transferred to AIM. The property transfer is expected to occur during the year ending December 31, 2018. As of December 31, 2016 AIM had designated funds in the bank to complete the purchase of the Rahab House building.