

AGAPE INTERNATIONAL MISSIONS
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT THEREON
DECEMBER 31, 2017

**AGAPE INTERNATIONAL MISSIONS
DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Agape International Missions
Roseville, California

We have audited the accompanying financial statements of Agape International Missions (a 501(c)(3) nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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.

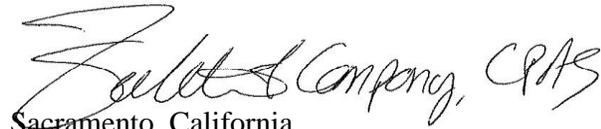
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to 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 of Agape International Missions as of December 31, 2017, and the changes in its net assets, functional expenses and 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 black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
September 26, 2018

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

CURRENT:

| | | |
|--|----|-----------|
| Cash in United States bank | \$ | 1,530,822 |
| Cash in Cambodian bank | | 221,195 |
| Total cash | | 1,752,017 |
| Employee advances | | 9,942 |
| Employee note receivables, current | | 6,513 |
| Program cost advances | | 51,371 |
| Prepaid expenses | | 71,213 |
| Total current assets | | 1,891,056 |
| Property and equipment, net | | 1,933,688 |
| Employee note receivable, net of current | | 15,938 |
| Prepaid expenses, net of current | | 93,750 |
| | | 3,934,432 |
| Total Assets | \$ | 3,934,432 |

LIABILITIES AND NET ASSETS

CURRENT

| | | |
|---------------------------------------|----|---------|
| Accounts payable and accrued expenses | \$ | 107,448 |
| Total current liabilities | | 107,448 |

NET ASSETS

| | | |
|----------------------------------|----|-----------|
| Temporarily restricted | | 975,125 |
| Unrestricted | | 2,851,859 |
| | | 3,826,984 |
| Total Liabilities and Net Assets | \$ | 3,934,432 |

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

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|---------------------|
| Revenues: | | | |
| Contributions | \$ 4,569,395 | \$ 653,163 | \$ 5,222,558 |
| Product sales | 647,637 | - | 647,637 |
| Net assets released of restrictions | 162,141 | (162,141) | - |
| | <u>5,379,173</u> | <u>491,022</u> | <u>5,870,195</u> |
| Total Revenue | | | |
| Expenses: | | | |
| Program services | 4,156,862 | - | 4,156,862 |
| Supporting services: | | | |
| Management and general | 210,486 | - | 210,486 |
| Fund development | 274,016 | - | 274,016 |
| Total supporting expenses | 484,502 | - | 484,502 |
| | <u>4,641,364</u> | <u>-</u> | <u>4,641,364</u> |
| Total Expenses | | | |
| Change in Net Assets | 737,809 | 491,022 | 1,228,831 |
| Net Assets - beginning of year | <u>2,114,050</u> | <u>484,103</u> | <u>2,598,153</u> |
| Net Assets - end of year | <u>\$ 2,851,859</u> | <u>\$ 975,125</u> | <u>\$ 3,826,984</u> |

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

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2017

| | Program Services | Supporting Activities | | Total |
|---------------------------------------|-----------------------------|-----------------------------------|-----------------------------|---------------------|
| | | Management and General | Fund Development | |
| Personnel | \$ 2,165,143 | \$ 155,921 | \$ 204,292 | \$ 2,525,356 |
| Advertising | 13,051 | 3,621 | 4,626 | 21,298 |
| Bank charges | 39,375 | 10,003 | 12,782 | 62,160 |
| Cambodia taxes and fees | 80,721 | - | - | 80,721 |
| Conference and meetings | 5,612 | 247 | 316 | 6,175 |
| Counseling | 2,565 | - | - | 2,565 |
| Depreciation | 66,731 | 668 | 854 | 68,253 |
| Education supplies and tuition | 47,283 | - | - | 47,283 |
| Events | 14,425 | 2,827 | 3,613 | 20,865 |
| Facility utilities | 63,501 | 676 | 863 | 65,040 |
| Humanitarian aid and outreach | 250,414 | 1,719 | 2,197 | 254,330 |
| Information and technology | 34,762 | 5,249 | 6,707 | 46,718 |
| Insurance | 5,586 | 1,033 | 1,320 | 7,939 |
| Ministry supplies and books | 4,500 | - | - | 4,500 |
| Occupancy | 228,778 | 6,503 | 8,309 | 243,590 |
| Office expenses | 39,169 | 1,086 | 1,388 | 41,643 |
| Postage and shipping | 67,695 | 937 | 1,197 | 69,829 |
| Printing and publications | 3,838 | 1,170 | 1,496 | 6,504 |
| Professional fees | 81,005 | 6,995 | 8,938 | 96,938 |
| Program operating costs | 649,814 | - | - | 649,814 |
| Radio broadcast | 4,050 | - | - | 4,050 |
| Repairs and maintenance | 33,722 | - | - | 33,722 |
| Telephone | 10,474 | 1,023 | 1,307 | 12,804 |
| Travel | 62,569 | 10,684 | 13,652 | 86,905 |
| Vehicle operations | 69,851 | 124 | 159 | 70,134 |
| Vocational training and reintegration | 112,228 | - | - | 112,228 |
| Total Expenses | \$ 4,156,862 | \$ 210,486 | \$ 274,016 | \$ 4,641,364 |

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

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------------|
| Increase in net assets | \$ 1,228,831 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 68,253 |
| Increase in program cost advances | (4,102) |
| Decrease in prepaid expenses | 92,393 |
| Increase in notes employee receivable | (502) |
| Decrease in accounts payable and accruals | <u>(161,984)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,222,889</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|--------------------------------|
| Purchase of property and equipment | <u>(686,419)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(686,419)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>536,470</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,215,547</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,752,017</u></u> |

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

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. ORGANIZATION

Agape International Missions (AIM) is a non-profit organization founded on the ground in Cambodia in 1988 as a humanitarian aid and church planting organization. Since 2005, AIM has fought sex trafficking. AIM's programs Prevent sex trafficking and work to Rescue, Restore and Reintegrate survivors of this crime.

Prevention programs include an elementary and English school, humanitarian aid, emergency family care, church planting and education regarding the protection and value of children. Rescue efforts are performed through AIM's unique permission granted by the Cambodian government allowing AIM to conduct investigations, perform raids, make arrests and rescue victims of sex trafficking alongside government officials within the country of Cambodia. Through AIM's Restoration program, victims of sex trafficking receive love, hope, healing and tools for a brand-new life that will last a lifetime. Reintegration programs include providing training them with marketable skills that will enable them to work in healthy jobs and in some cases, providing them with employment opportunities.

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). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, AIM classifies their net assets and changes in net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions or the donor imposed restrictions have expired.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be either met either by actions of AIM and/or the passage of time. There are temporarily restricted funds of \$975,125 at December 31, 2017.

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors. AIM had no permanently restricted net assets at December 31, 2017.

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.

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.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 September 26, 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.

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.

Donated Services and Goods – 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 \$12,540 in 2017 has been accounted for as contributions and occupancy expense.

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, 2017, the Organization received \$12,540 of in kind donation for rent of office space and \$6,036 for other operating expenses.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donations and Grant Income – AIM receives donations and grants from corporations, foundations, charitable organizations, and individuals. 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. Donor-restricted support is reported as an increase in temporarily restricted net assets if the restriction is not met by the end of the year. When the restriction expires (that is when time restriction end of purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted support that is received and where restrictions have been released within the same period are reported in unrestricted net assets.

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

NOTE 3. NOTE RECEIVABLE

At December 31, 2017, the note receivable, due from an employee, in the amount of \$22,451 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, 2017:

| | Cost | Accumulated Depreciation | Net |
|--------------------------|--------------|-----------------------------|--------------|
| Land | \$ 684,150 | \$ - | \$ 684,150 |
| Building | 401,666 | 45,760 | 355,906 |
| Construction in Progress | 395,060 | - | 395,060 |
| Furniture and Equipment | 279,849 | 222,845 | 57,004 |
| Vehicles | 125,825 | 77,141 | 48,684 |
| Total | \$ 2,279,434 | \$ 345,746 | \$ 1,933,688 |

Depreciation expense for the year ended December 31, 2017 was \$68,253.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2018:

| | |
|-------------------------------|------------------------------|
| New school funds | \$ 723,328 |
| Rahab House building (note 7) | 226,922 |
| Roof additions | 15,000 |
| ICA team 2018 | 3,842 |
| Kids club | 3,643 |
| Aid victims fund | <u>2,388</u> |
| Total | <u><u>\$ 975,123</u></u> |

NOTE 6. OPERATING LEASE OBLIGATIONS

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

- Roseville, California – Office space leased monthly at amounts range from \$3,335 to \$3,692 per month through September of 2021.
- Cambodia – Various operating facilities leased ranging from \$150 per month to \$1,200 per month. Lease terms also vary from month to month to terms that go through 2019.

At December 31, 2017, future minimum lease payments under these arrangements were as follows:

| | |
|-----------|------------------------------|
| 2018 | \$ 75,485 |
| 2019 | 54,154 |
| 2020 | 43,233 |
| 2021 | <u>33,229</u> |
| Total | <u><u>\$ 206,101</u></u> |

NOTE 7. RELATED PARTY TRANSACTIONS

During 2017, two of AIM’s directors were owners in a California Limited Liability Company (LLC). AIM sold the related LLC \$74,337 of products at standard wholesale pricing during the year ended December 31, 2017.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8. CONTINGENCIES

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 was 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 agreed to a purchase amount of \$337,000 and a purchase contract has been signed. In January 2017, AIM made a down payment for the Ratanak Rahab House building 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, 2017, there is \$226,922 included in temporary restricted funds to be used towards the final purchase price of the Rahab House building.

NOTE 9. 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.