

AGAPE INTERNATIONAL MISSIONS
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
THEREON

DECEMBER 31, 2019

**AGAPE INTERNATIONAL MISSIONS
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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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, 2019, 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 of Agape International Missions as of December 31, 2019, 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, appearing to read "Craig Fechter", written in a cursive style.

Sacramento, California
April 24, 2020

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT:

Cash in United States bank	\$	1,274,014
Cash in Cambodian bank		246,779
Total cash		1,520,793
Program cost advances		115,302
Accounts receivable		30,063
Related party receivable (see note 9)		21,617
Employee advances		2,251
Employee note receivables, current		3,600
Inventory		228,501
Prepaid expenses		87,058
Total current assets		2,009,185
Cash restricted to investment in property and equipment		195,389
Property and equipment, net		4,522,374
Employee note receivable, net of current		7,889
Prepaid expenses, net of current		10,000
		17,889
Total Assets	\$	6,744,837

LIABILITIES AND NET ASSETS

CURRENT

Accounts payable and accrued expenses	\$	252,795
Accrued payroll		149,741
Deferred revenue		23,643
		426,179

NET ASSETS

Net assets with donor restrictions (Note 8)		806,485
Net assets without donor restrictions		5,512,173
		6,318,658
Total Liabilities and Net Assets	\$	6,744,837

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

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2019

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Revenues:			
Contributions	\$ 5,065,234	\$ 1,816,107	\$ 6,881,341
Donated Services and Goods	2,026,480	-	2,026,480
Total Donations	<u>7,091,714</u>	<u>1,816,107</u>	<u>8,907,821</u>
Product sales	707,192	-	707,192
Less cost of goods sold	<u>(422,447)</u>	<u>-</u>	<u>(422,447)</u>
Gross Profit	284,745	-	284,745
 Total net assets released of restrictions	<u>1,154,729</u>	<u>(1,154,729)</u>	<u>-</u>
 Total Revenue	8,531,188	661,378	9,192,566
Expenses:			
Program services	6,891,122	-	6,891,122
Supporting services:			
Management and general	324,490	-	324,490
Fund development	<u>534,297</u>	<u>-</u>	<u>534,297</u>
Total supporting expenses	858,787	-	858,787
 Total Expenses	<u>7,749,909</u>	<u>-</u>	<u>7,749,909</u>
 Change in Net Assets	781,279	661,378	1,442,657
Net Assets - beginning of year	<u>4,843,558</u>	<u>145,107</u>	<u>4,988,665</u>
Prior period adjustment (Note 12)	<u>(112,664)</u>	<u>-</u>	<u>(112,664)</u>
Net Assets - end of year	<u><u>\$ 5,512,173</u></u>	<u><u>\$ 806,485</u></u>	<u><u>\$ 6,318,658</u></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, 2019

	Program Services	Supporting Activities		Total
		Management and General	Fund Development	
Personnel	\$ 2,689,970	\$ 208,352	\$ 300,616	\$ 3,198,938
Personnel - donated	1,933,750	-	65,000	1,998,750
Advertising	19,016	3,676	5,340	28,032
Bank charges	60,386	15,949	23,166	99,501
Cambodia taxes and fees	199,300	63	91	199,454
Conference and meetings	7,670	809	1,175	9,654
Counseling	1,781	-	-	1,781
Depreciation	90,287	31,890	46,318	168,495
Donor and volunteer appreciation	8,022	4,311	6,261	18,594
Education supplies and tuition	76,637	-	-	76,637
Events and fundraising	7,635	2,716	3,944	14,295
Facility utilities	71,806	505	734	73,045
Food	314,803	-	-	314,803
Humanitarian aid and outreach	420,297	1,852	2,690	424,839
Information and technology	56,350	6,698	9,728	72,776
Insurance	7,315	2,079	3,019	12,413
Ministry supplies and books	87,772	1,525	2,215	91,512
Occupancy	179,658	7,886	11,453	198,997
Office expenses	50,167	3,422	4,971	58,560
Other program costs	29,349	-	-	29,349
Postage and shipping	23,864	2,051	2,979	28,894
Printing and publications	8,114	1,493	2,168	11,775
Professional fees	171,569	3,798	5,516	180,883
Repairs and maintenance	53,961	-	-	53,961
Residence expenses	54,598	-	-	54,598
Telephone	10,593	888	1,290	12,771
Travel	99,293	24,527	35,623	159,443
Vehicle operations	82,873	-	-	82,873
Vocational training and reintegration	74,286	-	-	74,286
Total Expenses	\$ 6,891,122	\$ 324,490	\$ 534,297	\$ 7,749,909

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

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 1,442,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Prior period adjustment	(112,664)
Depreciation	169,566
Contributions restricted for purchase of property and equipment	(195,389)
Decrease in related party receivable	9,862
Increase in accounts receivable	(12,893)
Increase in program cost advances	(60,468)
Increase in inventory	(228,501)
Decrease in prepaid expenses	46,942
Increase in accounts payable and accruals	217,193
Increase in accrued payroll	73,467
Increase in deferred revenue	23,643
	1,373,415
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(692,443)
	(692,443)
NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds received from line of credit	150,000
Payments made on line of credit	(150,000)
	-
NET CASH USED IN FINANCING ACTIVITIES	
	680,972
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	839,821
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
	\$ 1,520,793
CASH AND CASH EQUIVALENTS, END OF YEAR	
	\$ 1,520,793

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

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 kingdom 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 and training survivors 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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions or the donor imposed restrictions have expired.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that may or will be either met by actions of AIM and/or the passage of time. There are net assets with donor restrictions of \$806,485 as of December 31, 2019.

Implementation of Pronouncements – In February 2016, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU became effective for years beginning after December 15, 2018, and AIM has implemented this new standard on a full retrospective basis.

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.

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 \$500.

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

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.

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

Valuation of Long-Lived Assets - AIM reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by the comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

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.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the first in, first out method.

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Goods – AIM receives specialized services from volunteers who contribute time to the activities of AIM. Donated services are recorded for individuals that provide AIM with specialized skills that AIM would need to hire for these positions if not provided by donation. The salaries of these are estimated based on the current market rates of individuals with these specialized skills that would be available to fill the positions in Cambodia. Because many of these positions are not available in Cambodia's market, the estimate uses the current rate of expatriate missionaries as this would be the market where AIM would recruit to fill these positions.

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.

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 2019 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, 2019, AIM received \$1,998,750 of services, \$12,540 of facility rent, and \$6,291 for other operating expenses.

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 net assets with donor restrictions if the restriction is not met by the end of the year. When the restriction expires (that is when the time restriction ends or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Product Sales – AIM offer consumer products through online and physical stores. Revenue is recognized when control of the goods is transferred to the customer, which generally occurs upon our delivery to a third-party carrier or when the customer has taken physical control of the product when no shipment is required. All sales are final. Advance payments are periodically received in advance of the product shipment and are included in deferred revenue. The opening balance of deferred revenue as of January 1, 2019 was 0.

Allowance for doubtful accounts – We record accounts receivable net of an allowance for doubtful accounts which is estimated based on management's evaluation of the financial condition of our customers. There was no allowance for doubtful accounts as of December 31, 2019.

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of goods sold – Cost of goods sold includes direct costs associated with producing the products as well as related shipping costs.

Fundraising Events - AIM complies with the Not-for-Profit Topic of the Codification, which requires that revenue and expenses from fundraising events be reported gross; therefore, fund development expenses are not offset directly against related revenues. Contribution income includes special event ticket sales of \$10,335 for 2019. Expenses for this event are \$14,295 and are included in operating expenses.

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

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. AIM is currently evaluating the extent of the anticipated impact of this standard and will implement this standard on January 1, 2021.

NOTE 3. LIQUIDITY

AIM has a liquidity management goal to maintain financial assets on hand to meet 60 days of normal operating expenses. AIM has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, AIM has committed lines of credit of approximately \$300,000 (Note 10).

AIM's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Total current assets	\$ 2,009,185
Less prepaid expenses	(87,058)
Less inventory	(228,501)
Less donor restricted funds	(806,485)
	<hr/>
	\$ 887,141
	<hr/>

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4. NOTE RECEIVABLE

At December 31, 2019, the note receivable, due from an employee, in the amount of \$11,188 consists of an unsecured note with interest and principal payments of \$300 per month, including interest at 1.5%.

NOTE 5. PROPERTY AND EQUIPMENT

Property, equipment and depreciation consist of the following at December 31, 2019:

	Cost	Accumulated Depreciation	Net
Land	\$ 684,150	\$ -	\$ 684,150
Building	3,759,766	131,466	3,628,300
Leasehold improvements	62,503	31,987	30,516
Equipment	354,699	248,855	105,844
Furniture	31,460	28,314	3,146
Vehicles	191,739	121,321	70,418
	<u>\$ 5,084,317</u>	<u>\$ 561,943</u>	<u>\$ 4,522,374</u>

Depreciation expense for the year ended December 31, 2019, was \$168,495.

NOTE 6. INVENTORY

Inventory balances consist of the following as of December 31, 2019:

Raw materials	\$ 123,688
Finished products	<u>104,813</u>
	<u>\$ 228,501</u>

NOTE 7. OPERATING LEASE OBLIGATIONS

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

- Roseville, California – Office space leased monthly at \$3,459 per month through September of 2021.
- Cambodia – Various operating facilities leased ranging from \$150 per month to \$8,000 per month. Lease terms also vary from month to month to terms that go through 2026.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7. OPERATING LEASE OBLIGATIONS (continued)

At December 31, 2019, future minimum lease payments under these arrangements were as follows:

2020	\$	120,027
2021		79,880
2022		87,550
2023		96,000
2024		96,000
Thereafter		112,000
		\$ 591,457

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, which are subject to the specific purpose, are as follows for 2019:

	12/31/2018	Donations	Release of restrictions	12/31/2019
New school operating funds	\$ 126,151	\$ 767,777	\$ (371,197)	\$ 522,731
Property and equipment	15,000	723,315	(542,926)	195,389
Aids Victims	3,956	-	(3,956)	-
Anthem product line	-	176,273	(176,273)	-
Lotus Kids Club	-	92,602	(60,377)	32,225
Fundraising events	-	20,000	-	20,000
Marketing and branding	-	20,000	-	20,000
School library fund	-	4,430	-	4,430
Child protective officer	-	6,000	-	6,000
Travel	-	5,710	-	5,710
	\$ 145,107	\$ 1,816,107	\$ (1,154,729)	\$ 806,485

NOTE 9. RELATED PARTY TRANSACTIONS

During 2019, two of AIM's directors were owners in a California Limited Liability Company (LLC). AIM sold products to the LLC at standard wholesale pricing during the year ended December 31, 2019, for a total of \$55,045. There was a receivable from the LLC of \$21,617 as of December 31, 2019.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10. AVAILABLE CREDIT

In September 2019, AIM received a line of credit for \$250,000 with a term of one year which bears an interest rate of 6%. As of December 31, 2019, there were no amounts outstanding under this line of credit.

AIM also has credit of approximately \$50,000 available through credit cards.

NOTE 11. 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.

NOTE 12. INTERNATIONAL TAX CONTINGENCY

The majority of AIM's program activities are conducted in Cambodia and are subject to various governmental filings and tax payments. All foreign taxes are estimated and accrued in the period in which they are incurred. In prior years, AIM had relied on a third-party service provider to calculate and remit these taxes. During 2019 it was discovered that certain taxes paid by AIM to the service provider, were not properly remitted to the taxing authorities. Currently, negotiations are underway with the taxing authorities to make the tax payments and to minimize related penalties and interest; as well as efforts at restitution. It is reasonably possible that this estimate will be reduced within the coming year depending on these negotiations. Included in accrued expenses on the statement of financial position is the amount of \$151,790, which represents managements estimate of these amounts that are still due, along with related penalties and interest.

NOTE 13. PRIOR PERIOD ADJUSTMENTS

During 2019 management identified certain taxes owed for prior years in the U.S. and Cambodia that had not been paid. The U.S taxes were paid in 2019 and the Cambodia taxes are included in the amounts discussed in Note 12. The prior period adjustment represents the taxes owed for prior years that were not previously expensed.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14. SUBSEQUENT EVENTS

In January 2020, the virus SARS-CoV-2 (known as Coronavirus disease Covid-19) was transmitted to both Cambodia and the United States, which is extremely virulent and spreading at rates that are yet undetermined. The economic impact in both countries has not been determined, nor has any specific impact on AIM.

Management has evaluated subsequent events through April 24, 2020, which is the date the financial statements were available to be issued.