

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

DECEMBER 31, 2020

**AGAPE INTERNATIONAL MISSIONS
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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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 nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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.

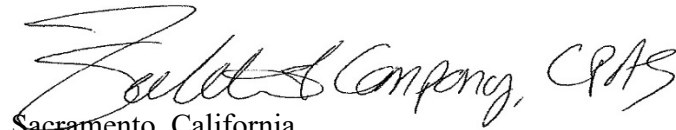
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due 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
Roseville, CA

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, 2020, 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
August 25, 2021

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT:

Cash in United States bank	\$	1,953,719
Cash in Cambodian bank		112,503
Total cash		2,066,222

Program cost advances		135,359
Accounts receivable		18,793
Employee note receivable		6,423
Inventory		323,522
Prepaid expenses		201,036
Total current assets		2,751,355

Cash restricted to investment in property and equipment		156,428
Property and equipment, net		4,468,790
Deposits		13,954
		4,643,172

Total Assets	\$	7,390,527
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LIABILITIES AND NET ASSETS

CURRENT:

Accounts payable and accrued expenses	\$	39,538
Accrued payroll		170,000
Deferred revenue		8,302
Total current liabilities		217,840

NET ASSETS:

Net assets with donor restrictions (Note 9)		557,025
Net assets without donor restrictions		6,615,662
		7,172,687

Total Liabilities and Net Assets	\$	7,390,527
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The accompanying notes are an integral part of these financial statements.

AGAPE INTERNATIONAL MISSIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2020

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Revenues:			
Contributions	\$ 5,981,191	\$ 656,117	\$ 6,637,308
Donated services and goods	1,661,515	-	1,661,515
Forgiveness of debt (Note 7)	225,414	-	225,414
Interest and other	268,475	-	268,475
Total Donations	<u>8,136,595</u>	<u>656,117</u>	<u>8,792,712</u>
Product sales	658,713	-	658,713
Less cost of goods sold	<u>(623,925)</u>	<u>-</u>	<u>(623,925)</u>
Gross Profit	34,788	-	34,788
Total net assets released of restrictions	<u>905,577</u>	<u>(905,577)</u>	<u>-</u>
Total Revenue	9,076,960	(249,460)	8,827,500
Expenses:			
Program services	6,784,315	-	6,784,315
Supporting services:			
Management and general	358,993	-	358,993
Fund development	830,163	-	830,163
Total Supporting Expenses	<u>1,189,156</u>	<u>-</u>	<u>1,189,156</u>
Total Expenses	<u>7,973,471</u>	<u>-</u>	<u>7,973,471</u>
Change in Net Assets	1,103,489	(249,460)	854,029
Net Assets - beginning of year	<u>5,512,173</u>	<u>806,485</u>	<u>6,318,658</u>
Net Assets - end of year	<u><u>\$ 6,615,662</u></u>	<u><u>\$ 557,025</u></u>	<u><u>\$ 7,172,687</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, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	
Personnel	\$ 3,084,935	\$ 255,931	\$ 591,865	\$ 3,932,731
Personnel - donated	1,635,049	-	-	1,635,049
Advertising	63,591	5,941	13,739	83,271
Bank charges	71,318	16,760	38,760	126,838
Cambodia taxes and fees	(73,828)	-	-	(73,828)
Conference and meetings	7,260	345	798	8,403
Counseling	906	-	-	906
Depreciation	201,469	4,116	9,520	215,105
Donor and volunteer appreciation	13,423	2,604	6,022	22,049
Education supplies and tuition	25,303	-	-	25,303
Events and fundraising	23,625	7,293	16,866	47,784
Facility utilities	67,405	1,457	3,368	72,230
Food	258,440	-	-	258,440
Humanitarian aid and outreach	375,181	2,459	5,687	383,327
Information and technology	119,749	16,671	38,554	174,974
Insurance	8,548	2,410	5,574	16,532
Ministry supplies and books	82,777	4,858	11,235	98,870
Occupancy	212,587	15,886	36,692	265,165
Office expenses	51,826	1,314	3,039	56,179
Other program costs	41,690	373	862	42,925
Postage and shipping	31,100	1,238	2,864	35,202
Printing and publications	6,557	1,508	3,488	11,553
Professional fees	217,488	7,692	17,788	242,968
Repairs and maintenance	32,149	23	53	32,225
Residence expenses	48,606	-	-	48,606
Telephone	9,613	984	2,276	12,873
Travel	41,644	8,783	20,311	70,738
Vehicle operations	63,579	-	-	63,579
Vocational training and reintegration	62,325	347	802	63,474
Total Expenses	\$ 6,784,315	\$ 358,993	\$ 830,163	\$ 7,973,471

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

**AGAPE INTERNATIONAL MISSIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

Cash Flows from Operating Activities:

Increase in net assets	\$ 854,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	215,105
Forgiveness of debt	(225,414)
Increase in contributions restricted for purchase of property and equipment	(156,428)
Decrease in related party receivable	28,934
Decrease in accounts receivable	11,270
Increase in program cost advances	(20,057)
Increase in inventory	(95,021)
Decrease in prepaid expenses	(117,932)
Decrease in accounts payable and accruals	(213,257)
Increase in accrued payroll	20,259
Decrease in deferred revenue	<u>(15,341)</u>
Net Cash Provided by Operating Activities	<u>286,147</u>
Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(161,521)</u>
Net Cash used in Investing Activities	<u>(161,521)</u>
Cash Flows from Financing Activities:	
Proceeds from PPP loan	<u>225,414</u>
Net Cash provided by Financing Activities	<u>225,414</u>
Net Increase in Cash and Cash Equivalents	<u>350,040</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,716,182</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,066,222</u></u>

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

AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. ORGANIZATION

Agape International Missions (AIM) is a non-profit organization founded in 1988 to provide humanitarian aid and assist churches in Cambodia. In 2005, AIM began to focus on fighting sex trafficking in Cambodia. AIM's programs prevent sex trafficking and work to rescue, restore, and reintegrate survivors of this crime.

Prevention programs work to protect people who are vulnerable to sex trafficking and include an elementary and English school, a church, humanitarian aid, emergency child care, and education regarding the protection and value of children. Rescue is performed through a unique partnership agreement with the Cambodian National Police where AIM assists the police as they conduct investigations, perform raids, make arrests, and rescue victims of sex trafficking. AIM also provides legal representation for victims of sex trafficking. Through AIM's Restoration programs, victims of sex trafficking receive love, hope, healing, and tools for a brand-new life that will last a lifetime. Reintegration programs provide survivors with marketable job skills and life skills to allow them to lead fulfilling lives and many survivors are employed in our training centers.

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 \$557,025 as of December 31, 2020.

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.

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.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expense during the reporting period. 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.

Fair Value Measurements – AIM accounts for financial instruments in accordance with ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”). ASC 820 establishes 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). Financial instruments with carrying values that approximate fair values include cash, program cost advances, receivables, accounts payables and accrued liabilities.

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, 2020

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 2020 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, 2020, AIM received \$1,635,049 of services, \$12,540 of facility rent, \$10,500 of assets, and \$3,426 for other operating expenses.

Contributions – 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 offers 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, 2020 was \$23,643 which was recorded of revenue for the year ended December 31, 2020.

Allowance for Doubtful Accounts – AIM records accounts receivable net of an allowance for doubtful accounts which is estimated based on management’s evaluation of the financial condition of their customers. There was no allowance for doubtful accounts as of December 31, 2020.

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

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. There was no income for special event ticket sales of in 2020.

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	\$ 2,751,355
Less prepaid expenses	(201,036)
Less inventory	(323,522)
Less donor restricted funds	<u>(557,025)</u>
	<u><u>\$ 1,669,772</u></u>

NOTE 4. NOTE RECEIVABLE

At December 31, 2020, the note receivable, due from an employee, in the amount of \$6,423 consists of an unsecured note with interest and principal payments of \$300 per month, including interest at 1.5%.

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5. PROPERTY AND EQUIPMENT

Property, equipment and depreciation consist of the following at December 31, 2020:

	Cost	Accumulated Depreciation	Net
Land	\$ 684,150	\$ -	\$ 684,150
Construction in progress	8,344	-	8,344
Building	3,773,403	(235,489)	3,537,914
Leasehold improvements	63,464	(41,390)	22,074
Equipment	295,327	(196,692)	98,635
Furniture	46,174	(25,666)	20,508
Vehicles	202,089	(104,924)	97,165
Total	\$ 5,072,951	\$ (604,161)	\$ 4,468,790

Depreciation expense for the year ended December 31, 2020, was \$215,105.

NOTE 6. INVENTORY

Inventory balances consist of the following as of December 31, 2020:

Raw materials	\$ 145,773
Finished products	177,749
	<u>\$ 323,522</u>

NOTE 7. PPP LOAN

In May 2020, AIM received the Small Business Association (SBA) Paycheck Protection Program loan (PPP loan) for \$225,414. The loan proceeds were forgiven in 2020 and are included in revenue.

NOTE 8. OPERATING LEASE OBLIGATIONS

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

- Roseville, California – Office spaces leased monthly at \$3,459 per month through September of 2021 and \$7,795 per month through April 2025.
- Cambodia – Various operating facilities leased ranging from \$200 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, 2020**

NOTE 8. OPERATING LEASE OBLIGATIONS (continued)

At December 31, 2020, future minimum lease payments under these arrangements were as follows:

2021	\$ 189,320
2022	202,640
2023	209,340
2024	200,340
2025	129,880
Thereafter	<u>16,000</u>
	<u>\$ 947,520</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, which are subject to the specific purpose, are as follows for 2020:

	12/31/2019	Donations	Release of Restrictions	12/31/2020
Property and equipment	\$ 195,389	\$ 228,722	\$ (125,268)	\$ 298,843
Beliz project	-	165,323	(8,895)	156,428
School library fund	4,430	35,000	(187)	39,243
Lotus Kids Club	32,225	27,350	(59,575)	-
Other misc	-	40,514	(15,078)	25,436
Fundraising events	20,000		-	20,000
Child protective officer	6,000			6,000
New school operating funds	522,731		(516,766)	5,965
Travel	5,710		(600)	5,110
SWAT	-	159,208	(159,208)	-
Marketing and branding	20,000		(20,000)	-
	<u>\$ 806,485</u>	<u>\$ 656,117</u>	<u>\$ (905,577)</u>	<u>\$ 557,025</u>

NOTE 10. AVAILABLE CREDIT

In September 2020, AIM received a line of credit for \$250,000 with a term of one year which bears an interest rate of 5.75%. As of December 31, 2020, there were no amounts outstanding under this line of credit.

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

**AGAPE INTERNATIONAL MISSIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. Included in accrued expenses on the statement of financial position is the amount of \$9,923, which represents managements estimate of these amounts that are due as of December 31, 2020.

NOTE 13. CONTINGENCIES

The COVID-19 outbreak in the United States and Cambodia in 2020 has caused business disruption through mandated and voluntary shelter-in-place orders. During 2020, AIM had to close its training centers where products for sale are manufactured for 45 days. They also had cancellations of other program services including school, church services and in person events. During these closures AIM retained and continued to pay all employees. The closure has continued into 2021 and the impact on AIM has not been determined.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2021, which is the date the financial statements were available to be issued.