

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

BYEMAN & CLEARY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Asian Access LIFE Ministries

We have audited the accompanying statements of financial position of Asian Access LIFE Ministries (a nonprofit corporation) as of September 30, 2004 and 2003 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Asian Access LIFE Ministries. Our responsibility is to express an opinion on 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Access LIFE Ministries as of September 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Byeman & Cleary

January 14, 2005

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

	2004		2003	
	Unrestricted	Temporarily Restricted	Unrestricted	Restricted
<u>Support and Revenue</u>				
Public Support				
Contributions	\$ 3,375,469	\$ 388,067	\$ 447,723	\$ 2,239,425
Revenue				
Honorariums	43,459		33,953	33,953
Enrollment fees	115,732		31,673	31,673
Sales and royalties	19,070		26,439	26,439
Foreign exchange gain (loss)	12,909		(6,386)	(6,386)
Investment and other income	2,851		10,577	10,577
	<u>194,021</u>	<u>194,021</u>	<u>96,256</u>	<u>96,256</u>
Total Support and Revenue	3,569,490	388,067	543,979	2,239,425
Net assets released from restriction due to satisfaction of purpose	<u>626,715</u>	<u>(626,715)</u>	<u>2,346,474</u>	<u>(2,346,474)</u>
	<u>4,196,205</u>	<u>(238,648)</u>	<u>2,890,453</u>	<u>(107,049)</u>
<u>Expenses</u>				
Program Services	2,777,939		2,268,974	2,268,974
Supporting Activities				
Management	680,806		675,954	675,954
Fund raising	384,186		281,762	281,762
Total supporting	<u>1,064,992</u>		<u>957,716</u>	<u>957,716</u>
Total expenses	3,842,931		3,226,690	3,226,690
Change in net assets	353,274	(238,648)	(336,237)	(107,049)
Net assets, beginning of year	<u>(144,283)</u>	<u>861,733</u>	<u>191,954</u>	<u>968,782</u>
Net assets, end of year	<u>\$ 208,991</u>	<u>\$ 623,085</u>	<u>\$ (144,283)</u>	<u>\$ 861,733</u>
				<u>\$ 717,450</u>

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

	Supporting Services			Total 2004	
	Program Services	Management	Fundraising		Total Supporting
Salaries & benefits	\$1,703,602	428,063	234,743	662,806	2,366,408
Travel & conferences	363,082	73,884	40,948	114,832	477,914
Leadership development	218,390				218,390
Staff development	177,704	30,485	1,498	31,983	209,687
Depreciation	36,559	20,801	5,544	26,345	62,904
Interest	6,133	682		682	6,815
Miscellaneous	(2,748)	(80)	97	17	(2,731)
Office expense	59,127	39,728	12,890	52,618	111,745
Outside services	47,576	24,667	24,420	49,087	96,663
Publications & promotion	61,346	9,759	44,337	54,096	115,442
Rent & utilities	76,592	47,087	17,938	65,025	141,617
Royalties & honorariums	30,576	5,730	1,771	7,501	38,077
Total 2004	\$2,777,939	\$680,806	\$384,186	\$1,064,992	\$3,842,931
Salaries & benefits	\$1,553,026	423,606	183,241	606,847	2,159,873
Travel & conferences	207,203	60,419	22,117	82,536	289,739
Leadership development	137,330				137,330
Staff development	116,935	12,567	395	12,962	129,897
Depreciation	50,254	32,832	7,619	40,451	90,705
Interest	5,194	695		695	5,889
Miscellaneous	430	(1,934)	12	(1,922)	(1,492)
Office expense	45,300	39,974	9,598	49,572	94,872
Outside services	8,443	44,496	15,540	60,036	68,479
Publications & promotion	49,289	5,751	29,405	35,156	84,445
Rent & utilities	60,063	47,102	13,835	60,937	121,000
Royalties & honorariums	35,507	10,446		10,446	45,953
Total 2003	\$2,268,974	\$675,954	\$281,762	\$ 957,716	\$3,226,690

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

	2004	2003
<u>Operating Activities</u>		
Change in net assets	\$ 114,626	\$ (443,286)
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	62,904	90,705
Gain on disposal of equipment		(940)
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	(16,286)	4,379
Accounts receivable	2,041	770
Deposits & prepaid expense	(11,840)	7,537
Increase (Decrease) in:		
Accounts payable	(12,528)	23,511
Accrued expense	35,370	16,718
Net cash provided by (used by) operating activities	174,287	(300,606)
<u>Investing Activities</u>		
Proceeds from sale of equipment		1,814
Purchase of furniture and equipment	(23,031)	(30,761)
Net cash used by investing activities	(23,031)	(28,947)
<u>Financing Activities</u>		
Proceeds from bank loan	276,065	276,396
Principal payments on bank loan	(276,396)	(249,729)
Net cash provided (used) by financing activities	(331)	26,667
Increase (decrease) in cash and cash equivalents	150,925	(302,886)
Cash and cash equivalents:		
Beginning of year	340,692	643,578
End of year	\$ 491,617	\$ 340,692
 Supplemental disclosures:		
Interest paid	\$6,815	\$5,889

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 and 2003

1. NATURE OF ORGANIZATION

Asian Access LIFE Ministries is incorporated in California under the Nonprofit Religious Corporation Law, exclusively for religious purposes. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

Asian Access LIFE Ministries exists to identify, develop, and release emerging kingdom leaders to unite the church, multiply leaders and congregations, and extend the transforming power of the Gospel of Jesus Christ.

The operations of an affiliate of Asian Access LIFE Ministries in Richmond, British Columbia are not included in these financial statements. This affiliate has an independent board of directors and operations. As a result, management lacks sufficient control to warrant consolidation of the activity in these financial statements.

The organization is supported primarily through donor contributions solicited by missionary staff and charitable foundation grants. Grants and contributions are received from donors throughout the United States. Foundation grants were approximately 27.4% and 18.2% and contributions raised as support for projects and missionaries were 67.7% and 78.3% of total support and revenue in the years ended September 30, 2004 and 2003 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash consists of balances in deposit accounts at financial institutions. All unrestricted highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Contributed Services

During the years ended September 30, 2004 and 2003, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 and 2003

Classes of Net Assets

Unrestricted amounts are those currently available at the discretion of the board of directors and management for use in the organization's operations and those resources invested in equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of equipment.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises Receivable

Contribution revenue is recognized when a donor makes a promise to give to the organization that is, in substance, unconditional. Unconditional promises expected to be collected within one year are reported at net realizable value. Those expected in more than one year are reported at the present value of their estimated future cash flow.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 and 2003

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor directions regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated on the straight-line method over estimated useful lives of 3 to 7 years for furniture and equipment and 40 years for buildings.

Revenues and Expenses

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization.

Temporarily restricted contributions are recognized as contribution income when cash or ownership of donated assets is unconditionally promised to the organization and subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those donor stipulated restrictions. When a restricted donation is recognized a portion is allocated to unrestricted net assets to offset the cost of processing the transaction.

3. Note Payable to Bank

The note payable of \$276,065 is due to a bank in Japan on December 31, 2004. Interest only is payable monthly at the rate of 2.625%. The note is secured with real property in Japan and was paid off at maturity.

4. Retirement Plan

A defined contribution retirement plan is maintained for qualifying employees. The contribution of Asian Access LIFE Ministries is 4% of eligible salaries. An insurance company acts as trustee. Employees fully vest in the employer contributions when made. Expense for the years ended September 30, 2004 and 2003 was \$51,178 and \$44,694 respectively.

ASIAN ACCESS LIFE MINISTRIES
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5. Office Rental

Office space for headquarters facilities is leased in Glendora, California under a lease which expires October 31, 2007. It calls for monthly base rent payments plus a pro rata share of any increase in building operating costs.

An office in the state of Virginia is occupied under terms of a lease expiring on November 30, 2005. In Yamagata, Japan an office is leased on a month-to-month basis.

Annual rental payments required under the leases in the years ended September 30 are:

2005	\$ 56,162
2006	56,697
2007	57,352
2008	4,791
Total	<u>\$175,002</u>

6. Equipment Leases

The Organization rents copying and mailing equipment in Japan and in the Glendora, California office under terms of operating leases.

Future minimum lease payments under these noncancelable operating leases in the years ended September 30 are:

2005	\$15,228
2006	8,868
2007	6,143
2008	1,940
	<u>\$32,179</u>

7. Allocation of Joint Costs

There has been no allocation of joint costs of activities containing elements of program, management and general, and fundraising. Fund-raising activities conducted in conjunction with program or management and general activities were incidental and did not require an allocation.

8. Investment Income

Investment income consisted of \$1,289 and \$4,563 of interest earned in the years ended September 30, 2004 and 2003 respectively.

ASIAN ACCESS LIFE MINISTRIES
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SEPTEMBER 30, 2004 and 2003

9. Restrictions on Net Assets

The temporarily restricted net assets represent unspent contributions received with donor-imposed stipulations. These restrictions are removed when funds are expended for the purposes specified. The restrictions consist of the following at September 30:

	2004	2003
Leadership Development	\$187,956	\$423,421
Double Treasure		16,632
Missionaries	401,369	421,680
Information technology upgrades	32,000	
ALPHA Japan program	1,760	
	<u>\$623,085</u>	<u>\$861,733</u>

10. Concentration of Cash

At September 30, 2004, the Organization had no balances in banks in excess of federal insurance limits. During the year bank deposits may exceed insured limits. This risk is effectively managed by using a high quality bank.