

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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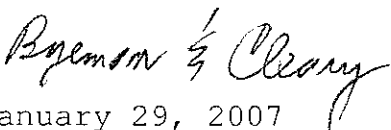
INDEPENDENT AUDITOR'S REPORT

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, 2006 and 2005 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, 2006 and 2005 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.


January 29, 2007

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2006 and 2005

	2006		2005	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<u>Support and Revenue</u>				
Public Support				
Contributions	\$ 1,124,365	\$ 2,787,267	\$ 3,911,632	\$ 2,817,037
Revenue				
Honorariums	67,817		67,817	
Enrollment fees	161,418		161,418	
Sales and royalties	4,667		4,667	
Foreign exchange gain	43,898		43,898	
Interest and other income	29,592		29,592	
	<u>307,392</u>		<u>307,392</u>	
Total Support and Revenue	1,431,757	2,787,267	4,219,024	2,817,037
Net assets released from restriction due to satisfaction of purpose	<u>2,640,971</u>	<u>(2,640,971)</u>	<u>2,621,545</u>	<u>(2,621,545)</u>
	<u>4,072,728</u>	<u>146,296</u>	<u>4,219,024</u>	<u>195,492</u>
<u>Expenses</u>				
Program Services	3,143,764		3,143,764	
Supporting Activities				
Management	566,990		566,990	
Fund raising	302,469		302,469	
Total supporting	<u>869,459</u>		<u>869,459</u>	
Total expenses	<u>4,013,223</u>		<u>4,013,223</u>	
Change in net assets	59,505	146,296	205,801	195,492
Net assets, beginning of year	<u>(296,435)</u>	<u>818,577</u>	<u>522,142</u>	<u>623,085</u>
Net assets, end of year	<u>\$ (236,930)</u>	<u>\$ 964,873</u>	<u>\$ 727,943</u>	<u>\$ 818,577</u>
			<u>\$ (296,435)</u>	<u>\$ 522,142</u>
			<u>\$ 4,075,146</u>	<u>\$ 3,765,212</u>
			<u>\$ 4,075,146</u>	<u>\$ 3,130,924</u>
			<u>(505,426)</u>	<u>565,476</u>
			<u>208,991</u>	<u>378,746</u>
			<u>\$ (296,435)</u>	<u>944,922</u>
			<u>\$ 4,075,146</u>	<u>4,075,146</u>
			<u>(309,934)</u>	<u>832,076</u>
			<u>\$ 522,142</u>	<u>\$ 522,142</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, 2006 and 2005

	Supporting Services			Total 2006
	Program Services	Management	Fundraising	
Salaries & benefits	\$2,021,379	\$389,709	\$185,291	\$575,000
Travel & conferences	201,071	32,631	31,438	64,069
Leadership development	490,712			
Staff development	165,392	21,787	365	22,152
Depreciation	47,667	24,111	2,760	26,871
Interest	5,409	738		738
Miscellaneous	451	653	660	1,313
Office expense	43,654	30,915	12,865	43,780
Outside services	13,212	23,178	5,989	29,167
Publications & promotion	79,362	4,643	31,230	35,873
Rent & utilities	59,478	30,538	9,491	40,029
Royalties & honorariums	15,977	8,087	22,380	30,467
Total 2006	<u>\$3,143,764</u>	<u>\$566,990</u>	<u>\$302,469</u>	<u>\$869,459</u>
				Total 2005
Salaries & benefits	\$1,935,683	\$376,150	\$231,582	\$607,732
Travel & conferences	291,399	74,044	40,599	114,643
Leadership development	519,138			
Staff development	137,850	15,647	2,400	18,047
Depreciation	45,043	10,713	2,425	13,138
Interest	5,648	629		629
Miscellaneous	3,802	1,547		1,547
Office expense	48,553	30,484	9,888	40,372
Outside services	13,814	20,175	11,299	31,474
Publications & promotion	56,612	4,648	62,517	67,165
Rent & utilities	59,949	24,650	17,772	42,422
Royalties & honorariums	13,433	6,789	264	7,053
Total 2005	<u>\$3,130,924</u>	<u>\$565,476</u>	<u>\$378,746</u>	<u>\$ 944,222</u>
				<u>\$4,075,146</u>

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, 2006 and 2005

	2006	2005
<u>Operating Activities</u>		
Change in net assets	\$ 205,801	\$(309,934)
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	74,538	58,181
Loss on disposal of equipment	2,663	
Net book value of surplus equipment given to employees as salary	4,063	
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	11,352	1,128
Accounts receivable	(3,621)	(6,612)
Deposits & prepaid expense	(35,237)	4,396
Increase (Decrease) in:		
Accounts payable	(76,430)	75,697
Accrued expense	92,139	1,024
Net cash provided by (used by) operating activities	275,268	(176,120)
<u>Investing Activities</u>		
Purchase of furniture and equipment	(90,607)	(105,134)
Net cash used by investing activities	(90,607)	(105,134)
<u>Financing Activities</u>		
Proceeds from bank loan	307,422	270,954
Principal payments on bank loan	(270,954)	(276,065)
Net cash provided by (used by) financing activities	36,468	(5,111)
(Decrease) increase in cash and cash equivalents	221,129	(286,365)
Cash and cash equivalents:		
Beginning of year	205,252	491,617
End of year	\$ 426,381	\$ 205,252
Supplemental disclosures:		
Interest paid	\$6,147	\$6,277

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

1. NATURE OF ORGANIZATION

Asian Access LIFE Ministries (Asian Access) 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 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 in British Columbia, Canada 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. Contributions raised as support for projects and by missionaries were 81.9% and 85.3% of total support and revenue in the years ended September 30, 2006 and 2005 respectively. Foundation grants are also a large source of income representing 10.8 % in 2006 and 10.2% in 2005.

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 primarily a credit union. All unrestricted highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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. There were none at September 30, 2006 or 2005.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Property and Equipment

Property and equipment is recorded at cost or estimated fair value if received by donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. 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. 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 is due to a bank in Japan on December 30, 2006. Interest only is payable monthly at the rate of 3.0%. The note is secured with real property in Japan and was paid off at maturity. The note is recorded at the settlement amount of a forward contract to purchase Japanese Yen prior to the maturity of the note. The contract gives Asian Access the right to purchase 35,000,000 Japanese Yen (the amount of the note due at maturity) for \$307,422.

4. Retirement Plan

A defined contribution retirement plan is maintained for qualifying employees. The contribution of Asian Access 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, 2006 and 2005 was \$48,871 and \$54,052 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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. In Yamagata, Japan an office is leased on a month-to-month basis. In addition, housing for some missionaries in Japan is leased at varying rates under leases that run through September, 2008.

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

	<u>Glendora</u>	<u>Japan</u>	<u>Total</u>
2007	\$57,352	\$40,671	\$ 98,023
2008	4,791	30,112	34,903
Total	<u>\$62,143</u>	<u>\$70,783</u>	<u>\$132,926</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:

2007	\$6,091
2008	1,897
	<u>\$7,988</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 \$2,638 and \$2,384 of interest earned in the years ended September 30, 2006 and 2005 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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:

	<u>2006</u>	<u>2005</u>
Leadership Development	\$168,998	\$251,538
Missionaries	795,875	558,672
Information technology upgrades	-	8,367
	<u>\$964,873</u>	<u>\$818,577</u>

10. Concentration of Cash

At September 30, 2006, cash was held in accounts at a credit union in which every account is insured up to \$250,000. This insurance is provided by a private insurance company that does not have the ability to draw on the full faith and credit of the United States government. Only the reserves of the insurance company are available to pay any claims. At times during the year bank deposits may exceed insured limits. At September 30, 2006 no bank accounts exceeded the limits of deposit insurance.

11. Reclassifications

In the functional expense statement for 2005, the amount of Leadership Development expense has been increased by \$147,317. Other natural expense line items have been decreased in total by \$147,317. There was no change in total program expense. This change was made so that the 2005 statement would be consistent with the 2006 statement. In the year ended September 30, 2006, all Leadership Development efforts in Japan were consolidated into the single line item with the costs of programs in other Asian countries. Management believes it is more meaningful to combine and present Leadership Development costs for programs in all countries in one line.