

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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, 2007 and 2006 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, 2007 and 2006 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

February 4, 2008

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2007 and 2006

ASSETS

	2007	2006
<u>Current Assets</u>		
Cash and cash equivalents	\$ 301,162	\$ 426,381
Advances receivable	24,759	13,781
Accounts receivable	35,614	14,800
Pledges receivable	261,000	-
Deposits & prepaid expense	12,868	47,346
Total current assets	635,403	502,308
 <u>Property and equipment</u>		
Land in Japan	438,000	438,000
Building in Japan	531,590	483,089
Furniture & equipment in: USA	167,712	164,709
Japan	233,169	261,385
	1,370,471	1,347,183
Less accumulated depreciation	(498,085)	(528,597)
Net property and equipment	872,386	818,586
 Total assets	 \$1,507,789	 \$1,320,894

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 91,539	\$ 41,806
Accrued expense	233,827	243,723
Notes payable to bank	309,133	307,422
Total current liabilities	634,499	592,951
 <u>Net Assets</u>		
Unrestricted	2,723	(236,930)
Temporarily restricted	870,567	964,873
Total net assets	873,290	727,943
 Total liabilities and net assets	 \$1,507,789	 \$1,320,894

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2007 and 2006

	2007		2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<u>Support and Revenue</u>				
Public Support				
Contributions	\$1,151,901	\$2,949,357	\$4,101,258	\$2,787,267
			\$1,124,365	
<u>Revenue</u>				
Honorariums	78,559		67,817	67,817
Enrollment fees	165,800		161,418	161,418
Sales and royalties	1,126		4,667	4,667
Foreign exchange gain	6,721		43,898	43,898
Gain on disposal of assets	3,589		-	-
Interest and other income	16,920		29,592	29,592
	<u>272,715</u>		<u>307,392</u>	<u>307,392</u>
Net assets released from restriction due to satisfaction of purpose	<u>3,043,663</u>	<u>(3,043,663)</u>	<u>2,640,971</u>	<u>(2,640,971)</u>
Total Support and Revenue	<u>4,468,279</u>	<u>(94,306)</u>	<u>4,373,973</u>	<u>146,296</u>
			4,072,728	4,219,024
<u>Expenses</u>				
Program Services	3,418,884		3,143,764	3,143,764
Supporting Activities				
Management	579,484		566,990	566,990
Fundraising	230,258		302,469	302,469
Total supporting	<u>809,742</u>		<u>869,459</u>	<u>869,459</u>
Total expenses	<u>4,228,626</u>		<u>4,013,223</u>	<u>4,013,223</u>
Change in net assets	239,653	(94,306)	59,505	146,296
Net assets, beginning of year	<u>(236,930)</u>	<u>964,873</u>	<u>(296,435)</u>	<u>818,577</u>
Net assets, end of year	<u>\$ 2,723</u>	<u>\$ 870,567</u>	<u>\$ (236,930)</u>	<u>\$ 964,873</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, 2007 and 2006

	Supporting Services			Total 2007
	Program Services	Management	Fundraising	
Salaries & benefits	\$2,210,066	\$363,469	\$148,420	\$511,889
Travel & conferences	281,689	70,735	42,405	113,140
Leadership development	447,480	2,838	-	2,838
Staff development	192,372	24,230	-	24,230
Depreciation	77,253	10,033	1,466	11,499
Interest	7,238	804	-	804
Miscellaneous	2,173	4,277	1,341	5,618
Office expense	46,934	31,615	4,055	35,670
Outside services	6,618	19,466	13,285	32,751
Publications & promotion	61,392	10,367	12,924	23,291
Rent & utilities	66,251	32,758	5,952	38,710
Royalties & honorariums	19,418	8,892	410	9,302
Total 2007	<u>\$3,418,884</u>	<u>\$579,484</u>	<u>\$230,258</u>	<u>\$809,742</u>
				Total
				2006
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>
				<u>\$4,013,223</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Operating Activities</u>		
Change in net assets	\$ 145,347	\$ 205,801
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	88,752	74,538
(Gain) Loss on disposal of equipment	(3,589)	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	(10,978)	11,352
Accounts receivable	(281,814)	(3,621)
Deposits & prepaid expense	34,478	(35,237)
Increase (Decrease) in:		
Accounts payable	49,733	(76,430)
Accrued expense	(9,896)	92,139
Net cash provided by operating activities	<u>12,033</u>	<u>275,268</u>
<u>Investing Activities</u>		
Proceeds from sale of equipment	4,943	-
Purchase of furniture and equipment	(143,906)	(90,607)
Net cash used by investing activities	<u>(138,963)</u>	<u>(90,607)</u>
<u>Financing Activities</u>		
Proceeds from bank loan	309,133	307,422
Principal payments on bank loan	(307,422)	(270,954)
Net cash provided by financing activities	<u>1,711</u>	<u>36,468</u>
(Decrease) increase in cash and cash equivalents	(125,219)	221,129
Cash and cash equivalents:		
Beginning of year	<u>426,381</u>	<u>205,252</u>
End of year	<u>\$ 301,162</u>	<u>\$ 426,381</u>
Supplemental disclosures:		
Interest paid	<u>\$8,042</u>	<u>\$6,147</u>

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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. Leadership Development and Church Multiplication are the two major programs operated by the Organization.

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 79.3% and 81.9% of total support and revenue in the years ended September 30, 2007 and 2006 respectively. Foundation grants are also a large source of income representing 14.4% in 2007 and 10.8% in 2006.

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, 2007

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 property and 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.

Pledges Receivable

Contribution revenue is recognized when a donor makes a pledge to give to the organization that is, in substance, unconditional. Unconditional pledges expected to be collected within one year are reported at net realizable value. Those expected to be collected in more than one year are reported at the present value of their estimated future cash flows. There were pledges receivable at September 30, 2007 of \$261,000. All are due within one year.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 28, 2007. Interest only is payable monthly at the rate of 3.25%. 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 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, 2007 and 2006 was \$49,838 and \$48,871 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

5. Office Rental

Office space for headquarters facilities is leased in Glendora, California under a lease which expires October 31, 2010. It calls for monthly base rent payments plus a pro rata share of any increase in building operating costs. In Japan, an office in Yamagata and housing for some missionaries is leased at varying rates under leases that run through July, 2011. These leases may be cancelled with one to six months notice to the landlord.

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

	<u>Glendora</u>	<u>Japan</u>	<u>Total</u>
2008	\$ 63,500	\$35,393	\$ 98,023
2009	65,807	10,157	75,964
2010	67,781	-	67,781
2011	5,662	-	5,662
Total	<u>\$202,750</u>	<u>\$45,550</u>	<u>\$247,430</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:

2008	\$10,028
2009	8,776
2010	4,389
	<u>\$23,193</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. Fundraising 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 \$1,182 and \$2,638 of interest earned in the years ended September 30, 2007 and 2006 respectively.

SEPTEMBER 30, 2007

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>2007</u>	<u>2006</u>
Leadership Development	\$ 96,347	\$168,998
Missionaries	774,220	795,875
	<u>\$870,567</u>	<u>\$964,873</u>

10. Concentration of Cash

At September 30, 2007, 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, 2007 no bank accounts exceeded the limits of deposit insurance.

11. Management's Plans

In 2002 the Board of Directors decided to reclassify funds raised as missionary support from unrestricted net assets to temporarily restricted net assets. Since that time, the Organization's temporarily restricted net assets have exceeded available cash and cash equivalents. This excess amount varies throughout the year. At September 30, 2007 the deficiency of cash and cash equivalents was \$569,405.

It is the intent of management to increase the Organization's cash and cash equivalents balance to equal or exceed temporarily restricted net assets within the next 3 to 5 years. To accomplish this goal the following actions will be taken:

- Reduce non-missionary staff, resulting in projected annual savings of approximately \$100,000.
- Increase Board of Directors involvement in fundraising campaigns.
- Reduce administrative and fundraising costs by \$50,000 from the year ended September 30, 2007.