

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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, 2008 and 2007 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, 2008 and 2007 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, 2009

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 and 2007

<u>ASSETS</u>		
	2008	2007
<u>Current Assets</u>		
Cash and cash equivalents	\$ 561,176	\$ 301,162
Advances receivable	9,329	24,759
Accounts receivable	86,532	35,614
Pledges receivable	35,000	261,000
Deposits & prepaid expense	9,013	12,868
Total current assets	701,050	635,403
 <u>Property and equipment</u>		
Land in Japan	438,000	438,000
Building in Japan	531,590	531,590
Furniture & equipment in: USA	175,254	167,712
Japan	227,479	233,169
	1,372,323	1,370,471
Less accumulated depreciation	(570,909)	(498,085)
Net property and equipment	801,414	872,386
Total assets	\$1,502,464	\$1,507,789

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 39,423	\$ 91,539
Accrued expense	268,061	233,827
Notes payable to bank	240,964	309,133
Total current liabilities	548,448	634,499
 <u>Net Assets</u>		
Unrestricted	258,661	2,723
Temporarily restricted	695,355	870,567
Total net assets	954,016	873,290
Total liabilities and net assets	\$1,502,464	\$1,507,789

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 and 2007

	2008		2007		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenue</u>					
Public Support Contributions	\$1,229,349	\$2,922,918	\$4,152,267	\$2,949,357	\$4,101,258
Revenue					
Honorariums	56,911	-	56,911	-	78,559
Enrollment fees	165,963	-	165,963	-	165,800
Sales and royalties	1,073	-	1,073	-	1,126
Foreign exchange gain	8,967	-	8,967	-	6,721
Gain (loss) on disposal of assets	(736)	-	(736)	-	3,589
Interest and other income	31,918	-	31,918	-	16,920
	<u>264,096</u>	<u>-</u>	<u>264,096</u>	<u>-</u>	<u>272,715</u>
Net assets released from restriction due to satisfaction of purpose	3,098,130	(3,098,130)	-	(3,043,663)	-
Total Support and Revenue	<u>4,591,575</u>	<u>(175,212)</u>	<u>4,416,363</u>	<u>(94,306)</u>	<u>4,373,973</u>
<u>Expenses</u>					
Program Services	3,617,516	-	3,617,516	-	3,418,884
<u>Supporting Activities</u>					
Management	573,221	-	573,221	-	579,484
Fundraising	144,900	-	144,900	-	230,258
Total supporting	<u>718,121</u>	<u>-</u>	<u>718,121</u>	<u>-</u>	<u>809,742</u>
Total expenses	<u>4,335,637</u>	<u>-</u>	<u>4,335,637</u>	<u>-</u>	<u>4,228,626</u>
Change in net assets	255,938	(175,212)	80,726	(94,306)	145,347
Net assets, beginning of year	<u>2,723</u>	<u>870,567</u>	<u>873,290</u>	<u>964,873</u>	<u>727,943</u>
Net assets, end of year	<u>\$ 258,661</u>	<u>\$ 695,355</u>	<u>\$ 954,016</u>	<u>\$ 2,723</u>	<u>\$ 873,290</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, 2008 and 2007

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	
Salaries & benefits	\$2,408,802	\$347,166	\$ 86,609	\$433,775
Travel & conferences	208,246	58,003	3,794	61,797
Leadership development	524,864	-	-	-
Staff development	205,344	19,378	-	19,378
Depreciation	81,519	10,115	996	11,111
Interest	4,327	454	-	454
Miscellaneous	68	5,184	-	5,184
Office expense	36,759	37,219	1,204	38,423
Outside services	18,901	45,685	10,477	56,162
Publications & promotion	33,206	13,687	38,978	52,665
Rent & utilities	78,332	26,757	2,832	29,589
Royalties & honorariums	17,148	9,573	10	9,583
Total 2008	<u>\$3,617,516</u>	<u>\$573,221</u>	<u>\$144,900</u>	<u>\$718,121</u>
				<u>Total</u>
				<u>2007</u>
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>
				<u>\$4,228,626</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, 2008 and 2007

	2008	2007
<u>Operating Activities</u>		
Change in net assets	\$ 80,726	\$ 145,347
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	92,630	88,752
(Gain) Loss on disposal of equipment	736	(3,589)
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	15,430	(10,978)
Accounts receivable	(50,918)	(20,814)
Pledges receivable	226,000	(261,000)
Deposits & prepaid expense	3,855	34,478
Increase (Decrease) in:		
Accounts payable	(52,116)	49,733
Accrued expense	34,234	(9,896)
Net cash provided by operating activities	350,577	12,033
<u>Investing Activities</u>		
Proceeds from sale of equipment	-	4,943
Purchase of furniture and equipment	(22,394)	(143,906)
Net cash used by investing activities	(22,394)	(138,963)
<u>Financing Activities</u>		
Proceeds from bank loan	240,964	309,133
Principal payments on bank loan	(309,133)	(307,422)
Net cash provided by financing activities	(68,169)	1,711
Increase (decrease) in cash and cash equivalents	260,014	(125,219)
Cash and cash equivalents:		
Beginning of year	301,162	426,381
End of year	\$ 561,176	\$ 301,162
Supplemental disclosures:		
Interest paid	\$4,781	\$8,042

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 79.5% and 79.3% of total support and revenue in the years ended September 30, 2008 and 2007 respectively. Foundation grants are also a large source of income representing 14.6% in 2008 and 14.4% in 2007.

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, 2008

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. No pledges are due after September 30, 2009.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 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, 2008. 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, 2008 and 2007 was \$50,668 and \$49,838 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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>
2009	\$ 65,807	\$40,405	\$106,212
2010	67,781	8,057	75,838
2011	5,662	-	5,662
Total	<u>\$139,250</u>	<u>\$48,462</u>	<u>\$187,712</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 operating leases in the years ended September 30 are:

2009	\$ 8,554
2010	7,188
2011	7,188
2012	7,188
2013	7,188
	<u>\$37,306</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 \$5,375 and \$1,182 of interest earned in the years ended September 30, 2008 and 2007 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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:

	2008	2007
Leadership Development	\$ 47,983	\$ 96,347
Alpha Japan	528	-
Missionaries	646,844	774,220
	<u>\$695,355</u>	<u>\$870,567</u>

10. Concentration of Cash

At September 30, 2008, 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, 2008 no bank accounts in the United States exceeded the limits of deposit insurance. Cash balances held in bank accounts in Japan at September 30, 2008 exceeded the insurance limits of the Deposit Insurance Corporation of Japan (DICJ) by \$158,299.

11. Management's Plans

The Organization's temporarily restricted net assets exceed available cash and cash equivalents. This excess amount varied throughout the year. At September 30, 2008 and 2007 the deficiency of cash and cash equivalents was \$134,179 and \$569,405 respectively.

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 2 to 4 years. To accomplish this goal the following actions were taken in the year ended September 30, 2008:

- Administrative and fundraising staff reductions resulted in projected annual savings of approximately \$111,000.
- Increased Board of Directors involvement in fundraising campaigns resulted in increased contributions.