

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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, 2011 and 2010 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, 2011 and 2010 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 14, 2012

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 and 2010

<u>ASSETS</u>		
	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$2,678,534	\$ 747,413
Advances receivable	44,214	5,715
Accounts receivable	141,064	90,990
Deposits & prepaid expense	26,404	24,564
Total current assets	2,890,216	868,682
 <u>Property and equipment</u>		
Land in Japan	438,000	438,000
Building in Japan	553,349	553,349
Furniture & equipment in: USA	142,090	172,350
Japan	241,249	215,894
	1,374,688	1,379,593
Less accumulated depreciation	(573,025)	(640,131)
Net property and equipment	801,663	739,462
Total assets	\$3,691,879	\$1,608,144

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 68,665	\$ 40,195
Accrued expense	207,468	205,632
Note payable to bank	-	181,138
Total current liabilities	276,133	426,965
 <u>Net Assets</u>		
Unrestricted	573,677	378,432
Temporarily restricted	2,842,069	802,747
Total net assets	3,415,746	1,181,179
Total liabilities and net assets	\$3,691,879	\$1,608,144

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenue</u>						
<u>Public Support</u>						
Contributions	\$ 984,164	\$5,611,416	\$6,595,580	\$1,296,042	\$3,093,668	\$4,389,710
Revenue						
Honorariums	54,882	-	54,882	52,916	-	52,916
Enrollment fees	181,882	-	181,882	185,633	-	185,633
Foreign exchange gain	32,921	-	32,921	18,975	-	18,975
Gain (loss) on disposal of assets	(968)	-	(968)	(3,231)	-	(3,231)
Interest and other income	47,849	-	47,849	50,980	-	50,980
	<u>316,566</u>	<u>-</u>	<u>316,566</u>	<u>305,273</u>	<u>-</u>	<u>305,273</u>
Net assets released from restriction due to satisfaction of purpose	3,572,094	(3,572,094)	-	2,799,781	(2,799,781)	-
Total Support and Revenue	<u>4,872,824</u>	<u>2,039,322</u>	<u>6,912,146</u>	<u>4,401,096</u>	<u>293,887</u>	<u>4,694,983</u>
<u>Expenses</u>						
<u>Program Services</u>	3,854,741	-	3,854,741	3,436,570	-	3,436,570
<u>Supporting Activities</u>						
Management	591,646	-	591,646	630,612	-	630,612
Fundraising	231,192	-	231,192	157,473	-	157,473
Total supporting	<u>822,838</u>	<u>-</u>	<u>822,838</u>	<u>788,085</u>	<u>-</u>	<u>788,085</u>
Total expenses	<u>4,677,579</u>	<u>-</u>	<u>4,677,579</u>	<u>4,224,655</u>	<u>-</u>	<u>4,224,655</u>
Change in net assets	195,245	2,039,322	2,234,567	176,441	293,887	470,328
Net assets, beginning of year	<u>378,432</u>	<u>802,747</u>	<u>1,181,179</u>	<u>201,991</u>	<u>508,860</u>	<u>710,851</u>
Net assets, end of year	<u>\$ 573,677</u>	<u>\$ 2,842,069</u>	<u>\$3,415,746</u>	<u>\$ 378,432</u>	<u>\$ 802,747</u>	<u>\$1,181,179</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, 2011 and 2010

	Program Services	Supporting Services			Total 2011
		Management	Fundraising	Total Supporting	
Salaries & benefits	\$2,563,799	\$406,111	\$110,887	\$516,998	\$3,080,797
Travel & conferences	245,856	50,261	30,136	80,397	326,253
Leadership development	532,632	-	-	-	532,632
Staff development	113,579	9,007	1,910	10,917	124,496
Depreciation	44,977	6,331	706	7,037	52,014
Interest	1,226	144	-	144	1,370
Miscellaneous	1,048	35	-	35	1,083
Office expense	28,821	38,032	3,083	41,115	69,936
Outside services	72,478	56,583	6,108	62,691	135,169
Publications & promotion	10,653	5,482	67,576	73,058	83,711
Rent & utilities	81,728	19,660	10,786	30,446	112,174
Tsunami relief	157,944	-	-	-	157,944
Total 2011	<u>\$3,854,741</u>	<u>\$591,646</u>	<u>\$231,192</u>	<u>\$822,838</u>	<u>\$4,677,579</u>
					Total 2010
Salaries & benefits	\$2,425,989	\$439,011	\$111,445	\$550,456	\$2,976,445
Travel & conferences	118,848	46,815	11,662	58,477	177,325
Leadership development	557,861	-	-	-	557,861
Staff development	103,864	11,361	619	11,980	115,844
Depreciation	46,418	6,416	573	6,989	53,407
Interest	2,288	1,139	-	1,139	3,427
Miscellaneous	827	-	-	-	827
Office expense	18,792	27,006	4,440	31,446	50,238
Outside services	31,911	62,649	2,421	65,070	96,981
Publications & promotion	45,673	13,721	17,782	31,503	77,176
Rent & utilities	84,099	22,494	8,531	31,025	115,124
Total 2010	<u>\$3,436,570</u>	<u>\$630,612</u>	<u>\$157,473</u>	<u>\$788,085</u>	<u>\$4,224,655</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Operating Activities</u>		
Change in net assets	\$2,234,567	\$470,328
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	52,014	53,407
Loss on disposal of equipment	968	3,231
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	(38,499)	1,490
Accounts receivable	(50,074)	(54,261)
Deposits & prepaid expense	(1,840)	(16,842)
Increase (Decrease) in:		
Accounts payable	28,470	(37,975)
Accrued expense	1,836	(45,530)
Net cash provided by (used by) operating activities	<u>2,227,442</u>	<u>373,848</u>
<u>Investing Activities</u>		
Proceeds from sale of equipment	-	6,000
Purchase of furniture and equipment	(115,183)	(50,983)
Net cash used by investing activities	<u>(115,183)</u>	<u>(44,983)</u>
<u>Financing Activities</u>		
Proceeds from bank loan	-	181,138
Principal payments on bank loan	(181,138)	(283,447)
Net cash provided by (used by) financing activities	<u>(181,138)</u>	<u>(102,309)</u>
Increase (decrease) in cash and cash equivalents	1,931,121	226,556
Cash and cash equivalents:		
Beginning of year	<u>747,413</u>	<u>520,857</u>
End of year	<u>\$2,678,534</u>	<u>\$747,413</u>
Supplemental disclosures:		
Interest paid		<u>\$2,557</u>

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 74.9% and 79.7% of total support and revenue in the years ended September 30, 2011 and 2010 respectively. Foundation grants are also a large source of income representing 20.5% in 2011 and 13.8% in 2010.

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, 2011

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 an unconditional pledge to give to the Organization. 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 no pledges receivable at September 30, 2011 or 2010.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 at September 30, 2010 was due to a bank in Japan on December 30, 2010. Interest was prepaid at an annual rate of 3.00% when the loan proceeds were received. 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, 2011 and 2010 was \$63,582 and \$58,629 respectively.

ASIAN ACCESS LIFE MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

5. OFFICE RENTAL

Office space for headquarters facilities is leased in Glendora, California under a lease which expires March 31, 2012. 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 October, 2013. Most of 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>
2012	\$28,739	\$108,675	\$137,414
2013	-	56,150	56,150
2014	-	989	989
Total	<u>\$28,739</u>	<u>\$165,814</u>	<u>\$194,553</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:

2012	\$ 7,188
2013	<u>7,188</u>
	<u>\$14,376</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 \$3,246 and \$996 of interest earned in the years ended September 30, 2011 and 2010 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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>2011</u>	<u>2010</u>
Japan Tsunami Relief	\$2,064,002	\$ -
Leadership Development	122,137	117,109
Missionaries	655,930	685,638
	<u>\$2,842,069</u>	<u>\$802,747</u>

Funds designated for Japan Tsunami Relief will be used for the spiritual and physical needs of people impacted by the March 2011 earthquake and tsunami that devastated a large portion of the Tohoku region in Japan. Current plans include partnering with churches in this region on various construction and rebuilding projects and sending missionary teams to provide a wide-range of assistance to churches and individuals. Several Asian Access missionaries in Japan will relocate to the Tohoku region over the next two years to provide additional long-term support for the ministry's efforts there.

10. CONCENTRATION OF CASH

At September 30, 2011, 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, 2011 accounts in the United States exceeded the limits of deposit insurance by \$1,752,841 based on actual bank balances. Cash balances held in bank accounts in Japan at September 30, 2011 did not exceed the insurance limits of the Deposit Insurance Corporation of Japan (DICJ).

11. MANAGEMENT'S PLANS

The Organization's temporarily restricted net assets exceeded available cash and cash equivalents at September 30, 2011 by \$163,535. This excess amount varied throughout the year. At September 30, 2010, temporarily restricted net assets exceeded cash and cash equivalents by \$55,334.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

11. MANAGEMENT'S PLANS (continued)

In the past, management initiated plans and actions to increase the Organization's cash and cash equivalents balance to equal or exceed temporarily restricted net assets. The plans included reducing expenses in administrative and fundraising functions and increasing fundraising efforts by members of the Board of Directors. The Organization will continue these plans and explore other means to achieve this goal.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2012, the date which the financial statements were available to be issued.

On November 11, 2011, Asian Access and SIM USA entered into a Partnership agreement with the goal of sending more church-planting missionaries to Japan. It is anticipated that when the partnership is fully implemented both organizations will realize positive financial benefits. These benefits cannot be measured at this time because some aspects of operations have not been defined. It is anticipated that the partnership will be implemented in phases during 2012.