

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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 financial statements of Asian Access Life Ministries (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Byeman & Cleary

February 9, 2015

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 799,969	\$1,643,560
Advances receivable	23,372	47,555
Accounts receivable	54,287	50,390
Deposits & prepaid expense	20,947	14,361
Total current assets	<u>898,575</u>	<u>1,755,866</u>
 <u>Property and equipment</u>		
Land in Japan	562,223	562,223
Building in Japan	1,006,064	995,138
Furniture & equipment in: USA	103,443	86,450
Japan	69,908	71,746
	<u>1,741,638</u>	<u>1,715,557</u>
Less accumulated depreciation	(524,983)	(461,601)
Net property and equipment	<u>1,216,655</u>	<u>1,253,856</u>
Total assets	<u>\$2,115,230</u>	<u>\$3,009,822</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 63,121	\$ 62,550
Accrued expense	130,997	125,573
Total current liabilities	194,118	188,123
 <u>Net Assets</u>		
Unrestricted	1,283,227	1,971,105
Temporarily restricted	637,885	850,594
Total net assets	<u>1,921,112</u>	<u>2,821,699</u>
Total liabilities and net assets	<u>\$2,115,230</u>	<u>\$3,009,822</u>

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

ASIAN ACCESS LIFE MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenue</u>						
<u>Public Support</u>						
Contributions	\$ 405,946	\$1,950,011	\$2,355,957	\$1,235,798	\$3,644,175	\$4,879,973
<u>Revenue</u>						
Honorariums	1,667	-	1,667	1,781	-	1,781
Enrollment fees	148,067	-	148,067	139,199	-	139,199
Foreign exchange (loss)gain	(13,996)	-	(13,996)	(91,316)	-	(91,316)
Loss on disposal of assets	-	-	-	(9,909)	-	(9,909)
Interest and other income	67,436	-	67,436	77,968	-	77,968
	<u>203,174</u>	<u>-</u>	<u>203,174</u>	<u>117,723</u>	<u>-</u>	<u>117,723</u>
Net assets released from restriction due to satisfaction of purpose	<u>2,162,720</u>	<u>(2,162,720)</u>	<u>-</u>	<u>4,189,646</u>	<u>(4,189,646)</u>	<u>-</u>
Total Support and Revenue	<u>2,771,840</u>	<u>(212,709)</u>	<u>2,559,131</u>	<u>5,543,167</u>	<u>(545,471)</u>	<u>4,997,696</u>
<u>Expenses</u>						
<u>Program Services</u>	2,684,542	-	2,684,542	3,717,609	-	3,717,609
<u>Supporting Activities</u>						
Management	493,352	-	493,352	636,213	-	636,213
Fundraising	281,824	-	281,824	273,526	-	273,526
Total supporting	<u>775,176</u>	<u>-</u>	<u>775,176</u>	<u>909,739</u>	<u>-</u>	<u>909,739</u>
Total expenses	<u>3,459,718</u>	<u>-</u>	<u>3,459,718</u>	<u>4,627,348</u>	<u>-</u>	<u>4,627,348</u>
Change in net assets	(687,878)	(212,709)	(900,587)	915,819	(545,471)	370,348
Net assets, beginning of year	<u>1,971,105</u>	<u>850,594</u>	<u>2,821,699</u>	<u>1,055,286</u>	<u>1,396,065</u>	<u>2,451,351</u>
Net assets, end of year	<u>\$1,283,227</u>	<u>\$ 637,885</u>	<u>\$1,921,112</u>	<u>\$1,971,105</u>	<u>\$ 850,594</u>	<u>\$2,821,699</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, 2014 and 2013

Program	<u>Supporting Services</u>			Total Supporting	Total 2014
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>		
Salaries & benefits	\$1,200,812	\$328,939	\$165,801	\$494,740	\$1,695,552
Travel & conferences	186,152	37,332	48,275	85,607	271,759
Leadership development	454,554	10	-	10	454,564
Staff development	207,474	26,389	2,700	29,089	236,563
Depreciation	59,728	8,259	2,568	10,827	70,555
Miscellaneous	855	381	-	381	1,236
Office expense	44,796	19,690	3,598	23,288	68,084
Outside services	44,370	50,904	34,703	85,607	129,977
Publications & promotion	33,876	15,047	14,468	29,515	63,391
Rent & utilities	50,798	6,398	9,711	16,109	66,907
Grants for ministry	153,618	-	-	-	153,618
Tsunami relief	247,509	3	-	3	247,512
Total 2014	<u>\$2,684,542</u>	<u>\$493,352</u>	<u>\$281,824</u>	<u>\$775,176</u>	<u>\$3,459,718</u>
					Total 2013
Salaries & benefits	\$1,469,202	\$416,188	\$170,934	\$587,122	\$2,056,324
Travel & conferences	229,864	105,821	29,118	134,939	364,803
Leadership development	584,604	-	-	-	584,604
Staff development	174,891	14,655	1,013	15,668	190,559
Depreciation	56,390	13,641	934	14,575	70,965
Miscellaneous	195	72	-	72	267
Office expense	32,021	21,792	6,913	28,705	60,726
Outside services	164,334	40,876	31,964	72,840	237,174
Publications & promotion	33,938	10,074	24,037	34,111	68,049
Rent & utilities	50,868	13,036	8,613	21,649	72,517
Grants for ministry	623,145	-	-	-	623,145
Tsunami relief	298,157	58	-	58	298,215
Total 2013	<u>\$3,717,609</u>	<u>\$636,213</u>	<u>\$273,526</u>	<u>\$909,739</u>	<u>\$4,627,348</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, 2014 and 2013

	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ (900,587)	\$ 370,348
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	70,555	70,965
Loss on disposal of equipment	-	9,909
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	24,183	(5,049)
Accounts receivable	(3,897)	221,134
Deposits & prepaid expense	(6,586)	(10,806)
Increase (Decrease) in:		
Accounts payable	571	(15,487)
Accrued expense	5,424	(71,554)
	(810,337)	569,460
<u>Investing Activities</u>		
Purchase of land in Japan	-	(3,749)
Purchase of buildings in Japan	(10,927)	(266,789)
Purchase of furniture and equipment	(22,327)	(7,996)
Net cash used by investing activities	(33,254)	(278,534)
Increase (decrease) in cash and cash equivalents	(843,591)	290,926
Cash and cash equivalents:		
Beginning of year	1,643,560	1,352,634
End of year	\$ 799,969	\$1,643,560

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

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 76.2% and 72.9% of total support and revenue in the years ended September 30, 2014 and 2013 respectively. Foundation grants are also a large source of income representing 27.8% in 2014 and 34.0% in 2013.

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, 2014

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, 2014 or 2013.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 2.5 to 4 years for furniture and equipment and 30 to 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. ACCOUNTS RECEIVABLE

Asian Access has receivables due from another organization with whom it has a partnership type arrangement. Under the arrangement Asian Access pays some expenses of the partner organization's missionaries in Japan. The receivable balances due from the organization as of September 30, 2014 and 2013 were \$18,709 and \$23,882, respectively.

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, 2014 and 2013 was \$34,582 and \$53,468 respectively.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

5. OFFICE RENTAL

Office space for headquarters facilities is leased in Artesia, California under a lease which expires December 31, 2017. It calls for monthly base rent payments plus a pro rata share of any increase in building operating costs.

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

	<u>Artesia</u>
2015	<u>\$26,287</u>
2016	27,075
2017	27,888
2018	<u>10,417</u>
Total	<u>\$91,667</u>

6. EQUIPMENT LEASES

The Organization rents copying and mailing equipment in the Artesia, California office under terms of operating leases. Future minimum lease payments under these operating leases in the years ended September 30 are:

2015	\$ 6,481
2016	7,068
2017	5,895
2018	<u>594</u>
	<u>\$20,038</u>

7. INVESTMENT INCOME

Investment income consisted of \$1,707 and \$1,411 of interest earned in the years ended September 30, 2014 and 2013 respectively.

8. INCOME TAXES

The organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of September 30, 2014, the organization believes that all its tax positions would be sustainable upon examination by the appropriate taxing jurisdictions. As of September 30, 2014, the organization's federal returns remain open to examination for the past three years. California returns remain open for four years.

ASIAN ACCESS LIFE MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

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>2014</u>	<u>2013</u>
Japan Tsunami Relief	\$ -	\$ 78,165
Leadership Development	260,411	198,599
Japan Ministry	15,682	129,797
Asia Realignment Project	148,106	161,318
Japan Strategic Partnership	63,494	39,845
Missionaries	<u>150,192</u>	<u>242,870</u>
	<u>\$637,885</u>	<u>\$850,594</u>

Funds designated for Japan Tsunami Relief were 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. Asian Access partnered with churches in this region on various construction and rebuilding projects and sent missionary teams to provide a wide-range of assistance to churches and individuals. Several Asian Access missionaries living in Japan before the tsunami relocated to the Tohoku region to provide additional long-term support for the ministry's efforts there.

10. CONCENTRATION OF CASH

At September 30, 2014, 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, 2014 accounts in the United States did not exceed the limits of deposit insurance based on actual bank balances. Cash balances held in bank accounts in Japan at September 30, 2014 exceeded the insurance limits of the Deposit Insurance Corporation of Japan (DICJ) by \$22,049.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2015, the date which the financial statements were available to be issued.

ASIAN ACCESS LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

12. PARTNERSHIP ARRANGEMENT WITH SIM-USA

Asian Access and SIM-USA entered into a partnership arrangement with the goal of sending more church-planting missionaries to Japan. Under this arrangement SIM-USA assumes responsibility for recruiting missionaries as well as the U.S. based care of those missionaries. Asian Access is responsible for championing the overall vision in Japan, managing the strategy of missionary deployment there, and providing in-country missionary care.

Asian Access and SIM-USA remain independent and maintain their distinct and separate ministry and board of directors.

Under this arrangement a number of Asian Access Japan-based missionaries transferred to SIM-USA. Asian Access made grants to SIM-USA related to these transfers totaling \$93,136 and \$517,406 in the years ended September 30, 2014 and 2013, respectively.

Asian Access also received fees from SIM-USA to provide support services in Japan. For the years ended September 30, 2014 and 2013 these fees totaled \$45,622 and \$45,442, respectively.

13. PARTNERSHIP ARRANGEMENT WITH SIM-CANADA

Asian Access and SIM-Canada entered into a partnership arrangement with the goal of sending more church-planting missionaries to Japan. Under this arrangement SIM-Canada assumes responsibility for recruiting missionaries as well as the care of those missionaries in Canada. Asian Access is responsible for championing the overall vision in Japan, managing the strategy of missionary deployment there, and providing in-country missionary care.

Asian Access and SIM-Canada remain independent and maintain their distinct and separate ministry and board of directors.

Under this arrangement a number of Asian Access Japan-based missionaries transferred to SIM-Canada. In the year ended September 30, 2014 Asian Access made grants to SIM-Canada related to these transfers totaling \$26,513.

Asian Access also received fees from SIM-USA to provide support services in Japan. For the year ended September 30, 2014 these fees totaled \$2,144.