

Asian Access LIFE Ministries

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 and 2002

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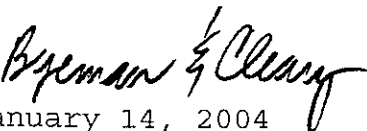
INDEPENDENT AUDITOR'S REPORT

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, 2003 and 2002 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, 2003 and 2002 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 14, 2004

Asian Access LIFE Ministries  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2003 and 2002

ASSETS

	2003	2002
<u>Current Assets</u>		
Cash and cash equivalents	\$ 340,692	\$ 643,578
Advances receivable	9,975	14,354
Accounts receivable	6,608	7,378
Deposits & prepaid expense	4,665	12,202
Total current assets	361,940	677,512
<u>Property and equipment</u>		
Land in Japan	438,000	438,000
Building in Japan	483,089	483,089
Furniture & equipment in: USA	272,851	358,947
Japan	211,648	213,344
	1,405,588	1,493,380
Less accumulated depreciation	(603,425)	(630,399)
Net property and equipment	802,163	862,981
Total assets	\$1,164,103	\$1,540,493

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 55,067	\$ 31,556
Accrued expense	115,190	98,472
Notes payable to bank	276,396	249,729
Total current liabilities	446,653	379,757
<u>Net Assets</u>		
Temporarily restricted	861,733	968,782
Unrestricted	(144,283)	191,954
Total net assets	717,450	1,160,736
Total liabilities and net assets	\$1,164,103	\$1,540,493

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

Asian Access LIFE Ministries  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2003 and 2002

	2003			2002		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Restricted	Total
<u>Support and Revenue</u>						
<u>Public Support</u>						
Contributions	\$ 447,723	\$2,239,425	\$2,687,148	\$1,054,236	\$2,276,685	\$3,330,921
<u>Revenue</u>						
Honorariums	33,953	-	33,953	54,826	-	54,826
Enrollment fees	31,673	-	31,673	43,760	-	43,760
Sales and royalties	26,439	-	26,439	31,427	-	31,427
Foreign exchange (loss) gain	(6,386)	-	(6,386)	22,101	-	22,101
Investment and other income	10,577	-	10,577	25,708	-	25,708
	96,256	-	96,256	177,822	-	177,822
Total Support and Revenue	543,979	2,239,425	2,783,404	1,232,058	2,276,685	3,508,743
Released from restriction due to satisfaction of purpose	2,346,474	(2,346,474)	-	2,150,788	(2,150,788)	-
	2,890,453	(107,049)	2,783,404	3,382,846	125,897	3,508,743
<u>Expenses</u>						
<u>Program Services</u>						
<u>Supporting Activities</u>						
Management	2,268,974	-	2,268,974	2,637,382	-	2,637,382
Fund raising	675,954	-	675,954	642,068	-	642,068
Total supporting	281,762	-	281,762	268,091	-	268,091
	957,716	-	957,716	910,159	-	910,159
Total expenses	3,226,690	-	3,226,690	3,547,541	-	3,547,541
Change in net assets	(336,237)	(107,049)	(443,286)	(164,695)	125,897	(38,798)
Net assets, beginning of year	191,954	968,782	1,160,736	826,234	373,300	1,199,534
Adjustment to net assets - Note 10	-	-	-	(469,585)	469,585	-
Net assets, end of year	\$ (144,283)	\$ 861,733	\$ 717,450	\$ 191,954	\$ 968,782	\$1,160,736

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, 2003 and 2002

	Supporting Services			Total 2003
	Program Services	Management	Fundraising	
Depreciation	\$ 50,254	\$ 32,832	\$ 7,619	\$ 40,451
Interest	5,194	695	-	695
Miscellaneous	430	(1,934)	12	(1,922)
Office expense	45,300	39,974	9,598	49,572
Outside services	8,443	44,496	15,540	60,036
Publications & promotion	49,289	5,751	29,405	35,156
Rent & utilities	60,063	47,102	13,835	60,937
Royalties & honorariums	35,507	10,446	-	10,446
Salaries & benefits	1,553,026	423,606	183,241	606,847
Staff development	116,935	12,567	395	12,962
Travel & conferences	344,533	60,419	22,117	82,536
	<u>\$2,268,974</u>	<u>\$675,954</u>	<u>\$281,762</u>	<u>\$ 957,716</u>
Total 2003				<u>\$3,226,690</u>
				Total 2002
Depreciation	\$ 67,226	\$ 31,556	\$ 6,419	\$ 37,975
Interest	6,686	695	-	695
Miscellaneous	2,314	-	-	-
Office expense	71,954	34,998	9,411	44,409
Outside services	4,770	27,017	10,275	37,292
Publications & promotion	80,571	9,576	70,499	80,075
Rent & utilities	63,718	41,392	11,538	52,930
Royalties & honorariums	47,342	7,513	19	7,532
Salaries & benefits	1,671,745	378,830	139,121	517,951
Staff development	151,696	17,764	867	18,631
Travel & conferences	469,360	92,727	19,942	112,669
	<u>\$2,637,382</u>	<u>\$642,068</u>	<u>\$268,091</u>	<u>\$ 910,159</u>
Total 2002				<u>\$3,547,541</u>

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

Asian Access LIFE Ministries  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Operating Activities</u>		
Change in net assets	\$ (443,286)	\$ (38,798)
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	90,705	105,201
(Gain) Loss on disposal of equipment	(940)	2,909
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Advances receivable	4,379	(398)
Accounts receivable	770	2,282
Deposits & prepaid expense	7,537	(821)
Increase (Decrease) in:		
Accounts payable	23,511	2,151
Accrued expense	16,718	(12,756)
Net cash (used) provided by operating activities	<u>(300,606)</u>	<u>59,770</u>
<u>Investing Activities</u>		
Proceeds from sale of furniture & equipment	1,814	10,293
Purchase of furniture and equipment	<u>(30,761)</u>	<u>(85,656)</u>
Net cash used by investing activities	<u>(28,947)</u>	<u>(75,363)</u>
<u>Financing Activities</u>		
Proceeds from bank loan	276,396	249,729
Principal payments on bank loan	<u>(249,729)</u>	<u>(284,340)</u>
Net cash provided (used) by financing activities	<u>26,667</u>	<u>(34,611)</u>
Decrease in cash and cash equivalents	(302,886)	(50,204)
Cash and cash equivalents - beginning of year	<u>643,578</u>	<u>693,782</u>
Cash and cash equivalents - end of year	<u>\$ 340,692</u>	<u>\$ 643,578</u>
Supplemental disclosures:		
Interest paid	<u>\$5,889</u>	<u>\$7,381</u>

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

Asian Access LIFE Ministries  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003 and 2002

1 NATURE OF ORGANIZATION

Asian Access LIFE Ministries 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 LIFE Ministries 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 LIFE Ministries in Richmond, British Columbia 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. Foundation grants were 18.2% and 28.0% and contributions raised as support for projects and missionaries were 78.3% and 66.9% of total support and revenue in the years ended September 30, 2003 and 2002 respectively.

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

Contributed Services

During the years ended September 30, 2003 and 2002, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Asian Access LIFE Ministries  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003 and 2002

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 benefitted.

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 flows using a risk-free interest rate at the date of the pledge to determine the discounts. Amortization of the discounts is included in contribution revenue.



Asian Access LIFE Ministries  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003 and 2002

Promises Receivable continued

The allowance method is used to account for uncollectible unconditional promises receivable. The allowance is based on experience in prior years and management's analysis of specific promises made.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. 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 of \$276,396 is due to a bank in Japan on December 31, 2003. Interest only is payable monthly at the rate of 2.625%. The note is secured with real property in Japan and was paid off at maturity.

Asian Access LIFE Ministries  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003 and 2002

4 Retirement Plan

A defined contribution retirement plan is maintained for qualifying employees. The contribution of Asian Access LIFE Ministries 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, 2003 and 2002 was \$44,694 and \$43,511 respectively.

5 Office Rental

Office space for headquarters facilities is leased in Glendora, California under a lease which expires October 31, 2004. It calls for monthly base rent payments plus a pro rata share of any increase in building operating costs.

An office in the state of Virginia is occupied under terms of a lease running from December 1, 2003 to November 30, 2004. In Yamagata, Japan an office is leased until December 31, 2003.

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

2004	\$ 67,075
2005	<u>5,902</u>
Total	<u>\$ 72,977</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:

2004	\$16,500
2005	15,228
2006	8,868
2007	6,143
2008	<u>1,940</u>
	<u>\$48,679</u>

Asian Access LIFE Ministries  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2003 and 2002

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. Restrictions On Net Assets

The temporarily restricted net assets are contributions received with donor-imposed stipulations. These stipulations are removed when funds are expended for the purposes specified. The restrictions consist of the following at September 30:

	2003	2002
Leadership Development	\$423,421	\$495,678
Double Treasure	16,632	16,632
Missionaries	421,680	456,332
Benevolence Fund - Sri Lanka	-	140
	\$861,733	\$968,782

9. Investment Income

Investment income consisted of \$4,563 and \$6,325 of interest earned in the years ended September 30, 2003 and 2002 respectively.

10. Adjustment To Net Assets

Effective October 1, 2001, management determined that funds restricted by donors for the work of missionaries would be considered to be temporarily restricted net assets. This is the most conservative presentation. Prior to this decision, the organization considered the work of missionaries to fulfill the overall purpose of the organization. For this reason funds raised by missionaries were not considered to be specifically restricted. The amount of the adjustment is the unspent balance of donations for missionaries at October 1, 2001.

11. Concentration of Cash

As of September 30, 2003, the Organization had \$92,186 on deposit in a bank in excess of federal insurance limits. By placing deposits in substantial banks, management believes this risk is effectively managed.