

ASIAN ACCESS LIFE MINISTRIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

**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, 2005 and 2004 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, 2005 and 2004 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*

January 12, 2006



ASIAN ACCESS LIFE MINISTRIES  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 and 2004

	2005		2004	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue				
Public Support				
Contributions	\$ 779,099	\$2,817,037	\$1,260,228	\$2,503,308
		\$3,596,136		\$3,763,536
Revenue				
Honorariums	86,206		43,459	43,459
Enrollment fees	45,722		115,732	115,732
Sales and royalties	18,736		19,070	19,070
Foreign exchange gain (loss)	12,726		12,909	12,909
Investment and other income	5,686		2,851	2,851
	169,076		194,021	194,021
Total Support and Revenue	948,175	2,817,037	1,454,249	2,503,308
Net assets released from restriction due to satisfaction of purpose	2,621,545	(2,621,545)	2,741,956	(2,741,956)
	3,569,720	195,492	4,196,205	(238,648)
Expenses				
Program Services	3,130,924		2,777,939	2,777,939
Supporting Activities				
Management	565,476		680,806	680,806
Fund raising	378,746		384,186	384,186
Total supporting	944,222		1,064,992	1,064,992
Total expenses	4,075,146		3,842,931	3,842,931
Change in net assets	(505,426)	195,492	353,274	(238,648)
Net assets, beginning of year	208,991	623,085	(144,283)	861,733
Net assets, end of year	\$ (296,435)	\$ 818,577	\$ 208,991	\$ 623,085
		\$ 522,142		\$ 832,076

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, 2005 and 2004

	<u>Supporting Services</u>			Total 2005
	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	
Salaries & benefits	\$2,023,208	\$376,150	\$231,582	\$2,630,940
Travel & conferences	295,184	74,044	40,599	409,827
Leadership development	371,821			371,821
Staff development	140,011	15,647	2,400	158,058
Depreciation	45,043	10,713	2,425	58,181
Interest	5,648	629		6,277
Miscellaneous	6,626	1,547		8,173
Office expense	57,022	30,484	9,888	97,394
Outside services	14,638	20,175	11,299	46,112
Publications & promotion	68,274	4,648	62,517	135,439
Rent & utilities	77,072	24,650	17,772	119,494
Royalties & honorariums	26,377	6,789	264	33,430
<b>Total 2005</b>	<u>\$3,130,924</u>	<u>\$565,476</u>	<u>\$378,746</u>	<u>\$4,075,146</u>
				Total 2004
Salaries & benefits	\$1,703,602	\$428,063	\$234,743	\$2,366,408
Travel & conferences	363,082	73,884	40,948	477,914
Leadership development	218,390			218,390
Staff development	177,704	30,485	1,498	209,687
Depreciation	36,559	20,801	5,544	62,904
Interest	6,133	682		6,815
Miscellaneous	(2,748)	(80)	97	(2,731)
Office expense	59,127	39,728	12,890	111,745
Outside services	47,576	24,667	24,420	96,663
Publications & promotion	61,346	9,759	44,337	115,442
Rent & utilities	76,592	47,087	17,938	141,617
Royalties & honorariums	30,576	5,730	1,771	38,077
<b>Total 2004</b>	<u>\$2,777,939</u>	<u>\$680,806</u>	<u>\$384,186</u>	<u>\$3,842,931</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating Activities</u>		
Change in net assets	\$(309,934)	\$ 114,626
Adjustments to reconcile above to net cash provided by operating activities:		
Depreciation	58,181	62,904
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Advances receivable	1,128	(16,286)
Accounts receivable	(6,612)	2,041
Deposits & prepaid expense	4,396	(11,840)
Increase (Decrease) in:		
Accounts payable	75,697	(12,528)
Accrued expense	1,024	35,370
Net cash (used by) provided by operating activities	<u>(176,120)</u>	<u>174,287</u>
<u>Investing Activities</u>		
Purchase of furniture and equipment	(105,134)	(23,031)
Net cash used by investing activities	<u>(105,134)</u>	<u>(23,031)</u>
<u>Financing Activities</u>		
Proceeds from bank loan	270,954	276,065
Principal payments on bank loan	(276,065)	(276,396)
Net cash used by financing activities	<u>(5,111)</u>	<u>(331)</u>
(Decrease) increase in cash and cash equivalents	(286,365)	150,925
Cash and cash equivalents:		
Beginning of year	<u>491,617</u>	<u>340,692</u>
End of year	<u>\$ 205,252</u>	<u>\$ 491,617</u>
Supplemental disclosures:		
Interest paid	<u>\$6,277</u>	<u>\$6,815</u>

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

ASIAN ACCESS LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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.

The operations of an affiliate of Asian Access 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 approximately 10.2% and 27.4% and contributions raised as support for projects and missionaries were 85.3% and 67.7% of total support and revenue in the years ended September 30, 2005 and 2004 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, 2005 and 2004, 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  
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SEPTEMBER 30, 2005

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 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.

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 flow.

ASIAN ACCESS LIFE MINISTRIES  
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SEPTEMBER 30, 2005

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 \$270,954 is due to a bank in Japan on December 30, 2005. Interest only is payable monthly at the rate of 2.95%. 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, 2005 and 2004 was \$54,052 and \$51,178 respectively.

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5. Office Rental

Office space for headquarters facilities is leased in Glendora, California under a lease which expires October 31, 2007. 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 expiring on November 30, 2005. In Yamagata, Japan an office is leased on a month-to-month basis.

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

2006	\$ 56,692
2007	57,352
2008	4,791
Total	<u>\$118,835</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:

2006	\$10,491
2007	6,091
2008	1,897
	<u>\$18,479</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. Fund-raising 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 \$2,384 and \$1,289 of interest earned in the years ended September 30, 2005 and 2004 respectively.

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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>2005</u>	<u>2004</u>
Leadership Development	\$251,538	\$187,956
Missionaries	558,672	401,369
Information technology upgrades	8,367	32,000
ALPHA Japan program		1,760
	<u>\$818,577</u>	<u>\$623,085</u>

10. Concentration of Cash

At September 30, 2005, the Organization had \$19,947 in banks in excess of federal insurance limits. During the year bank deposits may exceed insured limits. This risk is effectively managed by using a high quality bank.

11. Reclassifications

In the previously issued financial statements as of September 30, 2004 unrestricted contribution income was reported as \$3,375,469 and restricted contribution income was shown as \$388,067 in the statements of activities. In these financial statements the amounts have been restated to reflect the gross amount of contributions received by category in the year ended September 30, 2004. The amount reclassified between the two categories is \$2,115,241. As a result, in these financial statements the amount of 2004 unrestricted contribution income is \$1,260,228 and temporarily restricted contributions are \$2,503,308. The amount reclassified is the amount of restricted contributions received for which donor restrictions were satisfied in 2004.