

Agape Broadcasting Foundation, Inc.

Financial Statements and Supplementary Information

December 31, 2012 and 2011

Agape Broadcasting Foundation, Inc.

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1, 2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6 – 9
Supplementary Information:	
Schedule of Functional Expenses.....	11

William R. Moss, CPA

Audit & Consulting Services

Independent Auditor's Report

The Board of Directors
Agape Broadcasting Foundation, Inc.:

I have audited the accompanying financial statements of Agape Broadcasting Foundation, Inc. ("Foundation") (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agape Broadcasting Foundation, Inc. as of December 31, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Richardson, Texas
July 24, 2013

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 36,209	\$ 19,921
Prepaid expenses	12,608	10,663
Total current assets	<u>48,817</u>	<u>30,584</u>
Furniture and equipment (net of accumulated depreciation of \$386,146 for 2012 and \$359,767 for 2011)	76,972	103,352
Other assets	7,047	7,046
Total assets	<u><u>\$ 132,836</u></u>	<u><u>\$ 140,982</u></u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 22,484	\$ 49,382
Accrued expenses	18,682	10,164
Refundable grant	58,138	58,138
Total current liabilities	<u>99,304</u>	<u>117,684</u>
Net assets - Unrestricted	33,532	23,298
Net assets - Temporarily restricted	-	-
Total net assets	<u>33,532</u>	<u>23,298</u>
Total liabilities and net assets	<u><u>\$ 132,836</u></u>	<u><u>\$ 140,982</u></u>

See accompanying notes to financial statements.

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenue and Other Support:		
Listener sponsorship	\$ 278,832	\$ 286,495
Contributions and grants	124,235	160,238
Underwriting	172,481	159,296
Benefits	52,500	67,786
Special events	13,950	-
Other	23,017	35,749
	<u>665,016</u>	<u>709,564</u>
Expenses:		
Program services	421,830	368,944
Supporting services:		
Management and general	62,845	58,893
Fundraising	170,106	202,744
	<u>654,781</u>	<u>630,581</u>
Changes in net assets	10,234	78,983
Net assets - beginning of year	<u>23,298</u>	<u>(55,685)</u>
Net assets - end of year	<u>\$ 33,532</u>	<u>\$ 23,298</u>
Interest expense incurred and paid	<u>\$ 8,533</u>	<u>\$ 9,698</u>

See accompanying notes to financial statements.

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,234	\$ 78,983
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,379	23,411
Increase in prepaid expenses	(1,945)	(6,501)
Increase (decrease) in accounts payable and accrued expenses	(18,380)	(42,799)
Net cash used by operating activities	<u>16,288</u>	<u>53,094</u>
Investing Activities		
Purchases of property and equipment	-	(1,235)
Net cash provided in investing activities	<u>-</u>	<u>(1,235)</u>
Financing Activities		
Payments on lease payable	-	(53,268)
	<u>-</u>	<u>(53,268)</u>
Increase in cash and cash equivalents	16,288	(1,409)
Cash and cash equivalents at beginning of year	<u>19,921</u>	<u>21,330</u>
Cash and cash equivalents at end of year	<u>\$ 36,209</u>	<u>\$ 19,921</u>

See accompanying notes to financial statements.

AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

I. General Information

Agape Broadcasting Foundation, Inc. (the "Foundation") was incorporated in November 1971 in the State of Texas as a non-profit corporation to own and operate one or more broadcasting facilities. The Foundation is licensed by the Federal Communications Commission to operate on Channel 207, 89.3 MHZ in Dallas, Texas. The Foundation's broadcasts address issues related to housing, jobs and other issues important to low and moderate income neighborhoods. The Foundation derives its primary revenue from underwriting, contributions and grants, benefits, and listener sponsorship.

II. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements were prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Accordingly, resources are classified into three net asset categories as stipulated by donors. *Unrestricted Net Assets* are not subject to donor-imposed restrictions. *Temporarily Restricted Net Assets* are subject to donor-imposed restrictions that may or will be met by actions of the Foundation or the passage of time. *Permanently Restricted Net Assets* are subject to donor-imposed restrictions that are required to be maintained permanently by the Foundation. The Foundation has no permanently restricted net assets as of December 31, 2012 or 2011.

Contributions

All contributions are considered available for the general programs of the Foundation, unless specifically restricted by the donor. The Foundation reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are subject to time restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets. A donor

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AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Contributions, continued

restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as unrestricted support at the time of receipt. The Foundation recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value.

Contributed Services

The Foundation recognizes contributions of services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

There were no contributed services received in 2012 or 2011.

Cash and Cash Equivalents

Cash and cash equivalents consist of operating cash accounts in financial institutions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Furniture and Equipment

All acquisitions of furniture and equipment greater than \$1,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives which

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AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Furniture and Equipment, continued

range from 5 to 10 years. Total depreciation expense was \$26,379 and \$23,411 for the years ended December 31, 2012 and 2011, respectively.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been determined to be an organization that is not a private foundation. Accordingly, no provision for income or excise tax has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the certain reported amounts and disclosures. Actual results could differ from those estimates.

III. Leases

The Foundation entered into a non-cancellable tower lease on April 1, 2003 for a ten-year term, expiring March 31, 2013. The monthly base rent is \$3,000 which is subject to escalations as defined in the lease agreement. Rent expense for this lease was \$53,146 and \$49,380 for the years ended December 31, 2012 and 2011, respectively. The Foundation entered into non-cancellable renewal lease for the tower effective January 1, 2013 for a twelve year period, expiring December 31, 2024. The monthly lease payments under the renewed lease will be \$4,600 which is subject to escalations as defined in the lease agreement.

On May 2, 2010, the Foundation entered into a non-cancellable office lease for a three-year period ending April 30, 2013. Monthly rent under this lease was \$2,046. Rent expense under this lease was \$24,552 and \$21,920 for the years ended December 31, 2012 and 2011, respectively. This lease renewed effective June 1, 2013 for an additional three years to expire on May 31, 2016. Monthly rent under the renewed lease is \$2,269.

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AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Leases, continued

The following is the minimum lease payments required under these leases for each of the next five years:

Year Ended December 31,	
2013	\$ 81,536
2014	82,428
2015	82,428
2016	69,857
Thereafter	<u>500,324</u>
	<u>\$816,573</u>

IV. Concentration of Credit Risk for Cash

The Foundation maintains cash balances which are in checking accounts with financial institutions. It is the opinion of the Foundation that the solvency of the referenced financial institutions is not a risk concern at this time.

V. Refundable Grant

Effective October 1, 2010, the Foundation's participation in the Community Service Grant program was terminated. Additionally, the Foundation is required to repay \$58,138 of overpaid grant funds. Accordingly, this liability is included in the Statement of Financial Position at December 31, 2012 and 2011.

VI. Subsequent Events

Events have been evaluated through July 24, 2013, the date the financial statements were available for release. Management has determined that no additional disclosures are required.

SUPPLEMENTARY INFORMATION

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	2011				2012			
	Program Services	Mgmt. & General	Fund Raising	Total	Program Services	Mgmt. & General	Fund Raising	Total
Salaries & benefits	\$ 166,958	\$ 5,067	\$ 94,681	\$ 266,707	\$ 150,664	\$ 4,573	\$ 85,440	\$240,677
Occupancy	112,319	993	12,684	125,997	120,708	616	14,201	135,526
Supplies	5,508	135	2,514	8,157	7,477	104	1,938	9,519
Postage and shipping	9,892	946	5,610	16,448	7,172	1,763	4,067	13,002
Professional fees	20,358	28,123	-	48,481	78,243	32,507	-	110,750
Member services	10,104	-	-	10,104	3,444	-	-	3,444
Telephone and internet	13,574	198	3,705	17,478	14,260	224	4,179	18,662
Advertising	-	-	66,282	66,282	-	-	36,997	36,997
Other expenses	30,230	23,430	17,269	70,929	39,864	23,058	23,284	86,206
	<u>\$368,944</u>	<u>\$58,893</u>	<u>\$202,745</u>	<u>\$ 630,583</u>	<u>\$421,830</u>	<u>\$62,845</u>	<u>\$ 170,106</u>	<u>\$654,781</u>