

Agape Broadcasting Foundation, Inc.

Financial Statements and Supplementary Information

December 31, 2013 and 2012

Agape Broadcasting Foundation, Inc.

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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, 2013 and 2012, 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, 2013 and 2012, 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, 2014

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$54,101	\$36,209
Prepaid expenses	10,723	12,608
Total current assets	<u>64,824</u>	<u>48,817</u>
Furniture and equipment (net of accumulated depreciation of \$412,525 for 2013 and \$386,146 for 2012)	50,593	76,972
Other assets	7,046	7,047
Total assets	<u><u>\$122,463</u></u>	<u><u>\$132,836</u></u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$4,718	\$22,484
Accrued expenses	10,304	18,682
Refundable grant	58,138	58,138
Total current liabilities	<u>73,160</u>	<u>99,304</u>
Net assets - unrestricted	46,303	33,532
Net assets - temporarily restricted	3,000	-
Total net assets	<u>49,303</u>	<u>33,532</u>
Total liabilities and net assets	<u><u>\$122,463</u></u>	<u><u>\$132,836</u></u>

See accompanying notes to financial statements

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Unrestricted
Revenue and Other Support:				
Listener sponsorship	\$294,937	\$ -	\$294,937	\$278,832
Contributions and grants	101,380	3,000	104,380	124,235
Underwriting	163,826	-	163,826	172,481
Benefits	76,896	-	76,896	52,500
Special events	3,251	-	3,251	13,950
Other	16,048	-	16,048	23,017
Total revenue and other support	<u>656,338</u>	<u>3,000</u>	<u>659,338</u>	<u>665,015</u>
Expenses:				
Program services	398,363	-	398,363	421,830
Supporting services:				
Management and general	56,108	-	56,108	62,845
Fundraising	189,096	-	189,096	170,106
Total expenses	<u>643,567</u>	<u>-</u>	<u>643,567</u>	<u>654,781</u>
Changes in net assets	12,771	3,000	15,771	10,234
Net assets - beginning of year	<u>33,532</u>	<u>-</u>	<u>33,532</u>	<u>23,298</u>
Net assets - end of year	<u>\$46,303</u>	<u>\$3,000</u>	<u>\$49,303</u>	<u>\$33,532</u>
Interest expense incurred and paid			<u>\$1,650</u>	<u>\$8,533</u>

See accompanying notes to financial statements.

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$15,771	\$10,234
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,379	26,379
(Increase) decrease in prepaid expenses	1,885	(1,945)
Increase (decrease) in accounts payable and accrued expenses	(26,143)	(18,380)
Net cash provided by operating activities	<u>17,892</u>	<u>16,288</u>
Increase in cash and cash equivalents	17,892	16,288
Cash and cash equivalents at beginning of year	<u>36,209</u>	<u>19,921</u>
Cash and cash equivalents at end of year	<u><u>\$54,101</u></u>	<u><u>\$36,209</u></u>

See accompanying notes to financial statements.

AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013 or 2012.

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 restriction expires when a stipulated 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

Continued

AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Contributions, continued

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 2013 or 2012.

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 range from 5 to 10 years. Total depreciation expense was \$26,379 for the years ended December 31, 2013 and 2012.

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.

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AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Income Taxes – continued

The Foundation files income tax returns (Form 990) in the U.S. The Foundation's income tax returns are open for examinations by tax authorities for the previous three years. The Foundation follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1 and has not taken an uncertain tax position that would require additional disclosures.

Use of Estimates

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

III. Leases

The Foundation entered into a non-cancellable renewal tower lease effective January 1, 2013 for a twelve-year period, expiring December 31, 2024. The monthly lease payments under the renewed lease are \$4,600, which is subject to escalations as defined in the lease agreement. Rent expense for this lease was \$54,340 and \$53,146 for the years ended December 31, 2013 and 2012, respectively

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. 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. Rent expense under these leases was \$26,111 and \$24,552 for the years ended December 31, 2013 and 2012, respectively.

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

Year Ended December 31,	
2014	\$ 82,425
2015	82,425
2016	66,544
2017	55,200
2018	55,200
Thereafter	<u>331,200</u>
	<u>\$672,994</u>

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AGAPE BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012.

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 YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Program Services	Mgmt. & General	Fund Raising	Total	Program Services	Mgmt. & General	Fund Raising	Total
Salaries & benefits	\$152,767	\$4,636	\$86,634	\$244,037	\$150,664	\$4,573	\$85,440	\$240,677
Occupancy	121,238	2,484	14,968	138,690	120,708	616	14,201	135,525
Supplies	5,935	110	2,056	8,101	7,477	104	1,938	9,519
Postage and shipping	7,461	1,361	4,230	13,052	7,172	1,763	4,067	13,002
Professional fees	38,108	27,625	-	65,733	78,242	32,507	-	110,749
Member services	14,063	-	-	14,063	3,444	-	-	3,444
Telephone and internet	16,914	227	4,236	21,377	14,260	224	4,179	18,663
Advertising	-	-	53,170	53,170	-	-	36,997	36,997
Other expenses	41,877	19,665	23,802	85,344	39,863	23,058	23,284	86,205
	<u>\$398,363</u>	<u>\$56,108</u>	<u>\$189,096</u>	<u>\$643,567</u>	<u>\$421,830</u>	<u>\$62,845</u>	<u>\$170,106</u>	<u>\$654,781</u>