

AGAPE BROADCASTING FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2015 AND 2014

AGAPE BROADCASTING FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Agape Broadcasting Foundation, Inc.

We have audited the accompanying financial statements of Agape Broadcasting Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets, 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.

Auditors' 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 audits 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 auditors' 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 Agape Broadcasting Foundation, Inc. as of December 31, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on page 11 are presented for purposes of additional analysis and are 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 audits 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Dallas, Texas
December 7, 2016

AGAPE BROADCASTING FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,327	\$ 76,622
Prepaid expenses and other	13,543	17,810
Total current assets	\$ 97,870	\$ 94,432
Furniture and equipment (net of accumulated depreciation of \$329,900 and \$438,905, respectively)	135,356	24,214
Other assets	7,750	7,046
Total assets	\$ 240,976	\$ 125,692
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 11,180	\$ 10,295
Accrued expenses	2,673	9,072
Deferred revenue	7,350	7,238
Refundable grant	58,138	58,138
Total current liabilities	\$ 79,341	\$ 84,743
Noncurrent liabilities:		
Deferred lease liability	23,452	10,447
Total liabilities	\$ 102,793	\$ 95,190
Net assets:		
Unrestricted:		
Designated by the Board for repairs	\$ -	\$ 17,500
Undesignated	131,803	8,398
Total unrestricted	\$ 131,803	\$ 25,898
Temporarily restricted	6,380	4,604
Total net assets	138,183	30,502
Total liabilities and net assets	\$ 240,976	\$ 125,692

The accompanying notes are an integral part of these statements.

AGAPE BROADCASTING FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014
	Unrestricted	Temporarily restricted	Total	Total
Operating support and revenue:				
Listener sponsorship	\$ 325,902	\$ -	\$ 325,902	\$ 302,465
Underwriting	213,698	-	213,698	244,174
Grants and contributions	186,467	2,000	188,467	4,769
Events	96,484	-	96,484	138,776
Other	18,705	-	18,705	15,234
Total operating support and revenue before net assets released from restrictions	\$ 841,256	\$ 2,000	\$ 843,256	\$ 705,418
Net assets released from restrictions	224	(224)	-	-
Total operating support and revenue after net assets released from restrictions	\$ 841,480	\$ 1,776	\$ 843,256	\$ 705,418
Operating expenses:				
Program services	\$ 487,125	\$ -	\$ 487,125	\$ 469,794
Management and general	111,207	-	111,207	103,602
Fundraising	137,243	-	137,243	150,823
Total operating expenses	\$ 735,575	\$ -	\$ 735,575	\$ 724,219
Change in net assets from operating activities	\$ 105,905	\$ 1,776	\$ 107,681	\$ (18,801)
Net assets:				
Beginning of year	25,898	4,604	30,502	49,303
End of year	\$ 131,803	\$ 6,380	\$ 138,183	\$ 30,502

The accompanying notes are an integral part of these statements.

2014		
Unrestricted	Temporarily restricted	Total
\$ 302,465	\$ -	\$ 302,465
244,174	-	244,174
2,544	2,225	4,769
138,776	-	138,776
15,234	-	15,234
<hr/>	<hr/>	<hr/>
\$ 703,193	\$ 2,225	\$ 705,418
621	(621)	-
<hr/>	<hr/>	<hr/>
\$ 703,814	\$ 1,604	\$ 705,418
<hr/>	<hr/>	<hr/>
\$ 469,794	\$ -	\$ 469,794
103,602	-	103,602
150,823	-	150,823
<hr/>	<hr/>	<hr/>
\$ 724,219	\$ -	\$ 724,219
<hr/>	<hr/>	<hr/>
\$ (20,405)	\$ 1,604	\$ (18,801)
<hr/>	<hr/>	<hr/>
46,303	3,000	49,303
<hr/>	<hr/>	<hr/>
\$ 25,898	\$ 4,604	\$ 30,502
<hr/>	<hr/>	<hr/>

AGAPE BROADCASTING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 107,681	\$ (18,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,384	26,379
In-kind contributions of equipment	(71,540)	-
(Increase) decrease in prepaid expenses and other	4,267	(7,087)
Increase in other assets	(704)	-
Increase (decrease) in accounts payable and accrued expenses	(5,514)	4,345
Increase in deferred revenue	112	7,238
Increase in deferred lease liability	13,005	10,447
Net cash provided by operating activities	<u>\$ 75,691</u>	<u>\$ 22,521</u>
Cash flows from investing activities:		
Cash used to acquire equipment	<u>\$ (67,986)</u>	<u>\$ -</u>
Net cash used by investing activities	<u>\$ (67,986)</u>	<u>\$ -</u>
Net increase in cash and cash equivalents	\$ 7,705	\$ 22,521
Cash and cash equivalents:		
Beginning of year	<u>76,622</u>	<u>54,101</u>
End of year	<u>\$ 84,327</u>	<u>\$ 76,622</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 1,281</u>	<u>\$ 309</u>
Supplemental disclosure of non-cash investing activities:		
Contribution of property and equipment	<u>\$ 71,540</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of significant accounting policies:

Nature of business

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 provide unique programming to reflect the diversity of the entire Dallas-Fort Worth community. The Foundation derives its primary revenue from underwriting, grants, benefit events, and listener sponsorship.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. This category of net assets includes amounts appropriated by the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations due to purpose, time, or time and purpose. Temporarily restricted net assets increased and decreased as follows:

	<u>Restricted for purpose</u>	<u>Restricted for time</u>	<u>Restricted for time and purpose</u>	<u>Total temporarily restricted</u>
Balance, December 31, 2013	\$ 3,000	\$ -	\$ -	\$ 3,000
Contributions	2,225	-	-	2,225
Restrictions released	<u>(621)</u>	<u>-</u>	<u>-</u>	<u>(621)</u>
Balance, December 31, 2014	\$ 4,604	\$ -	\$ -	\$ 4,604
Contributions	2,000	-	-	2,000
Restrictions released	<u>(224)</u>	<u>-</u>	<u>-</u>	<u>(224)</u>
Balance, December 31, 2015	<u>\$ 6,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,380</u>

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of significant accounting policies (continued):

Temporarily restricted net assets are available for the following purposes as of December 31:

	2015	2014
History project	\$ 6,380	\$ 4,379
Antenna repair fund	-	225
	\$ 6,380	\$ 4,604

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Foundation. The Foundation has no permanently restricted net assets as of December 31, 2015 and 2014.

Cash and cash equivalents

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

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 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 materials and services

Substantially all of the Foundation's 24 hours a day seven days a week broadcasting is hosted live by unpaid volunteer disc jockeys that have made significant contributions of their time to the Foundation. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition. If the value of these contributions were included in these financial statements, they would significantly increase the cost of program services and correspondingly increase contributions.

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of performances, interviews, and other talent are not typically purchased and therefore donations from celebrities related to conducting live broadcasts and events are not recognized. Contributions of tangible assets are recognized at fair value when received and retained in operations. Contributions of assets that are not retained but are instead converted to cash are not recorded until the cash is received.

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of significant accounting policies (continued):

The Foundation records various types of in-kind exchanges. Received goods or services are recognized at fair value if the goods or services are exchanged for underwriting.

In-kind contributions and exchanges are included in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Operating support and revenue:		
Underwriting	\$ 70,332	\$ 53,283
Grants and contributions	<u>141,467</u>	<u>2,423</u>
Total in current revenues	\$ 211,799	\$ 55,706
Deferred revenue	<u>-</u>	<u>1,375</u>
Total	<u>\$ 211,799</u>	<u>\$ 57,081</u>
Contributed property	<u>\$ 71,540</u>	<u>\$ -</u>
Operating expenses:		
Advertising	\$ 8,257	\$ 11,133
Artists and related expenses	12,800	8,375
Concessions	33,500	17,200
Engineering services	46,127	2,423
Facility rentals	11,500	13,000
Meals and entertainment	-	2,000
Rent	9,757	-
Audit	14,043	-
Premiums	<u>2,900</u>	<u>2,950</u>
Total in current expenses	<u>\$ 138,884</u>	<u>\$ 57,081</u>
Expense recognized in prior year	<u>\$ 1,375</u>	<u>\$ -</u>
Total	<u>\$ 211,799</u>	<u>\$ 57,081</u>

Deferred revenues

The Foundation receives revenues in the form of cash and in-kind donations in exchange for air time recognition over a specific period of time. Revenues received in advance of the respective air time recognition are deferred until the Foundation performs the service.

AGAPE BROADCASTING FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****Note A - Summary of significant accounting policies (continued):****Fair value measurements**

The Foundation defines the fair value of financial instruments as the amount at which the instruments could be exchanged in a current transaction between willing parties. Financial instruments included in the financial statements include cash and cash equivalents. Unless otherwise disclosed in the notes to financial statements, the carrying value of financial instruments is considered to approximate fair value due to the maturity and characteristics of those instruments.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the supplementary statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, 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 \$28,384 and \$26,379 for the years ended December 31, 2015 and 2014, 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. The Foundation files income tax returns (Form 990) in the United States. 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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising costs

Advertising costs are expensed as incurred and were approximately \$18,400 and \$37,500 for the years ended December 31, 2015 and 2014, respectively.

Note B - Refundable grant:

Effective October 1, 2010, the Foundation's participation in the Community Service Grant program was terminated, and the Foundation is required to repay \$58,138 of overpaid grant funds. Having already committed expenditures under the grant, and subsequently fulfilling the grant in 2011, the Foundation continues to seek cessation while recognizing the amount as a liability. There has been no change in this liability since 2010.

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note C - Concentrations:

The Foundation operates exclusively within the North Texas area. Therefore, results of operations and collectability of receivables are subject to economic conditions of the area.

Note D - Commitments and contingencies:

Commitments

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 are subject to escalations as defined in the lease agreement. Rent expense for this lease was \$60,907 and \$65,647 for the years ended December 31, 2015 and 2014, respectively.

The tower lease provides for increasing rental payments over the life of the lease. In accordance with generally accepted accounting principles, rent expense for financial statement purposes is being recognized on a straight-line basis over the lease term. A deferred lease liability arises from the timing difference in the recognition of rent expense and the actual payment of rent.

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 \$33,376 and \$28,589 for the years ended December 31, 2015 and 2014, respectively. The landlord allowed early termination of the lease in August 2015. The Foundation was released from all future lease commitments without forfeiture of its lease deposit. On August 15, 2015, the Foundation entered into a non-cancellable office lease for a three-year period ending November 14, 2018. Monthly rent under this lease will be \$2,750.

Future minimum lease payments are as follows for years ending December 31:

<u>Year</u>	<u>Amount</u>
2016	\$ 91,512
2017	91,512
2018	88,762
2019	62,239
2020	62,239
Thereafter	<u>259,471</u>
	<u><u>\$ 655,735</u></u>

AGAPE BROADCASTING FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****Note D - Commitments and contingencies (continued):***Contingencies***FCC license matters**

The broadcasting industry is subject to extensive regulation by the FCC under the Communications Act of 1996. The Foundation is required to obtain licenses from the FCC to operate the station. Licenses are normally granted for a term of up to eight years and are renewable. The Act requires the FCC to renew a broadcast license if: (1) it finds that the station has served the public interest, convenience and necessity; (2) there have been no serious violations of either the Communications Act of 1934 or the FCC's rules and regulations by the licensee; and (3) there have been no other serious violations, which taken together, constitute a pattern of abuse. The Foundation operates under a current license expiring in August of 2021, and intends to continue to renew its licenses.

Certain complaints had been asserted against the Foundation regarding program content which could have resulted in financial penalties or threatened the Foundation's license. During 2014, the FCC granted the Foundation a renewal of its license pursuant to the Foundation entering into a tolling agreement which extended the FCC's ability to consider such complaints for a period of two years, expiring in January 2016. Historically, there have been no material challenges to the Foundation's license renewals and management considers these complaints to be without merit.

As of the issuance of these financial statements, the tolling agreement has expired with no actions having been exerted by the FCC.

Note E - Subsequent events

Subsequent events have been evaluated through December 7, 2016, which is the date the financial statements were available to be issued. Management has determined that no additional disclosures are required.

SUPPLEMENTARY INFORMATION

AGAPE BROADCASTING FOUNDATION, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015					2014
	Program services		Supporting services			Total
	Broadcasts	Events	Management and general	Fundraising	Total	
Salaries and benefits	\$ 132,594	\$ 28,528	\$ 34,391	\$ 50,846	\$ 246,359	\$ 272,570
Advertising	2,529	6,658	-	9,188	18,375	37,524
Artists and related expenses	13,450	26,940	-	-	40,390	46,310
Concessions	-	31,712	-	2,000	33,712	21,009
Depreciation	25,999	429	906	1,050	28,384	26,379
Facility rentals	-	12,992	-	1,600	14,592	34,002
Meals and entertainment	-	-	207	-	207	2,407
Occupancy	121,870	3,004	7,816	7,343	140,033	121,915
Other expenses	3,860	6,122	4,822	12,664	27,468	32,369
Postage and shipping	-	-	1,213	9,052	10,265	10,343
Premiums and merchandise	-	-	4,200	39,632	43,832	38,430
Professional fees	42,789	-	54,903	-	97,692	54,891
Supplies	6,540	516	567	1,341	8,964	8,634
Utilities	19,559	1,034	2,182	2,527	25,302	17,436
Total expenses	<u>\$ 369,190</u>	<u>\$ 117,935</u>	<u>\$ 111,207</u>	<u>\$ 137,243</u>	<u>\$ 735,575</u>	<u>\$ 724,219</u>
Program services	<u>\$ 369,190</u>	<u>\$ 117,935</u>			<u>\$ 487,125</u>	<u>\$ 469,794</u>
Supporting services			<u>\$ 111,207</u>	<u>\$ 137,243</u>	<u>\$ 248,450</u>	<u>\$ 254,425</u>
Percentage of total	<u>50.2%</u>	<u>16.0%</u>	<u>15.1%</u>	<u>18.7%</u>		
Percentage of listener sponsorship				<u>42.1%</u>		

2014				
Program services		Supporting services		
Broadcasts	Events	Management and general	Fundraising	Total
\$ 121,082	\$ 44,873	\$ 43,124	\$ 63,491	\$ 272,570
12,762	2,848	-	21,914	37,524
8,400	37,910	-	-	46,310
-	21,009	-	-	21,009
26,379	-	-	-	26,379
-	34,002	-	-	34,002
-	-	407	2,000	2,407
106,206	2,859	5,417	7,433	121,915
1,063	11,654	14,379	5,273	32,369
-	-	129	10,214	10,343
-	-	2,970	35,460	38,430
19,846	-	35,045	-	54,891
5,514	664	730	1,726	8,634
11,449	1,274	1,401	3,312	17,436
<u>\$ 312,701</u>	<u>\$ 157,093</u>	<u>\$ 103,602</u>	<u>\$ 150,823</u>	<u>\$ 724,219</u>
<u>\$ 312,701</u>	<u>\$ 157,093</u>			<u>\$ 469,794</u>
		<u>\$ 103,602</u>	<u>\$ 150,823</u>	<u>\$ 254,425</u>
<u>43.2%</u>	<u>21.7%</u>	<u>14.3%</u>	<u>20.8%</u>	
			<u>49.9%</u>	