AGAPE BROADCASTING FOUNDATION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS’ REPORT

DECEMBER 31, 2014 AND 2013

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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. ("Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, 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, 2014, and the changes in its net assets and its cash flows for the year 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 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Period Financial Statements

The financial statements of Agape Broadcasting Foundation, Inc. as of December 31, 2013, were audited by other auditors whose report dated July 24, 2014, expressed an unmodified opinion on those statements.

VOGEL CPAs, PC

Vogel CPAs, PC

Certified Public Accountants

Dallas, Texas
November 12, 2015

AGAPE BROADCASTING FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 76,622	$ 54,101
Prepaid expenses and other	17,810	10,723
Total current assets	$ 94,432	$ 64,824
Furniture and equipment (net of accumulated depreciation of $438,905 and $412,525, respectively)	24,214	50,593
Other assets	7,046	7,046
Total assets	$ 125,692	$ 122,463
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 10,295	$ 4,718
Accrued expenses	9,072	10,304
Deferred revenue	7,238	-
Refundable grant	58,138	58,138
Total current liabilities	$ 84,743	$ 73,160
Noncurrent liabilities:		
Deferred lease liability	10,447	-
Total liabilities	$ 95,190	$ 73,160
Net assets:		
Unrestricted:		
Designated by the Board for repairs	$ 17,500	$ -
Undesignated	8,398	46,303
Total unrestricted	$ 25,898	$ 46,303
Temporarily restricted	4,604	3,000
Total net assets	$ 30,502	$ 49,303
Total liabilities and net assets	$ 125,692	$ 122,463

The accompanying notes are an integral part of these statements.

AGAPE BROADCASTING FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Operating support and revenue:				
Listener sponsorship	$ 302,465	$ -	$ 302,465	$ 294,937
Underwriting	244,174	-	244,174	264,351
Grants and contributions	2,544	2,225	4,769	3,855
Events	138,776	-	138,776	84,925
Other	15,234	-	15,234	16,048
Total operating support and revenue before net assets released from restrictions	$ 703,193	$ 2,225	$ 705,418	$ 664,116
Net assets released from restrictions	621	(621)	-	-
Total operating support and revenue after net assets released from restrictions	$ 703,814	$ 1,604	$ 705,418	$ 664,116
Operating expenses:				
Program services	$ 469,794	$ -	$ 469,794	$ 401,485
Management and general	103,602	-	103,602	97,542
Fundraising	150,823	-	150,823	149,318
Total operating expenses	$ 724,219	$ -	$ 724,219	$ 648,345
Change in net assets from operating activities	$ (20,405)	$ 1,604	$ (18,801)	$ 15,771
Non-operating expenses:				
Loss on disposal of assets	-	-	-	-
Change in net assets	$ (20,405)	$ 1,604	$ (18,801)	$ 15,771
Net assets:				
Beginning of year	46,303	3,000	49,303	33,532
End of year	$ 25,898	$ 4,604	$ 30,502	$ 49,303

The accompanying notes are an integral part of these statements.

2013		
Unrestricted	Temporarily restricted	Total
$ 294,937	$ -	$ 294,937
264,351	-	264,351
855	3,000	3,855
84,925	-	84,925
16,048	-	16,048
$ 661,116	$ 3,000	$ 664,116
-	-	-
$ 661,116	$ 3,000	$ 664,116
$ 401,485	$ -	$ 401,485
97,542	-	97,542
149,318	-	149,318
$ 648,345	$ -	$ 648,345
$ 12,771	$ 3,000	$ 15,771
-	-	-
$ 12,771	$ 3,000	$ 15,771
33,532	-	33,532
$ 46,303	$ 3,000	$ 49,303

AGAPE BROADCASTING FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (18,801)	$ 15,771
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 and other	(7,087)	1,885
Increase (decrease) in accounts payable and accrued expenses	4,345	(26,143)
Increase in deferred revenue	7,238	-
Increase in deferred lease liability	10,447	-
Net cash provided by operating activities	$ 22,521	$ 17,892
Net increase in cash and cash equivalents	$ 22,521	$ 17,892
Cash and cash equivalents:		
Beginning of year	54,101	36,209
End of year	$ 76,622	$ 54,101
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 309	$ 1,650

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.

The Board of Directors has designated $17,500 of unrestricted net assets as of December 31, 2014 to be used for future repairs of its broadcast equipment.

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:

	Restricted for purpose	Restricted for time	Restricted for time and purpose	Total temporarily restricted
Balance, December 31, 2012	$ -	$ -	$ -	$ -
Contributions	3,000	-	-	3,000
Restrictions released	-	-	-	-
Balance, December 31, 2013	$ 3,000	$ -	$ -	$ 3,000
Contributions	2,225	-	-	2,225
Restrictions released	(621)	-	-	(621)
Balance, December 31, 2014	$ 4,604	$ -	$ -	$ 4,604

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

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

	2014	2013
History project	$ 4,379	$ 3,000
Antenna repair fund	225	-
	$ 4,604	$ 3,000

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, 2014 and 2013.

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 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 processing 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.

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.

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

	2014	**2013**
Operating support and revenue:		
Underwriting	$ 53,283	$ 100,525
Grants and contributions	2,423	-
Total in current revenues	$ 55,706	$ 100,525
Deferred underwriting revenue	1,375	-
Total	$ 57,081	$ 100,525
Operating expenses:		
Advertising	$ 11,133	$ 41,300
Artists and related expenses	8,375	10,375
Concessions	17,200	37,250
Engineering services	2,423	-
Facility rentals	13,000	10,100
Meals and enterainment	2,000	-
Premiums	2,950	1,500
Total	$ 57,081	$ 100,525

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.

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 and contributions receivable. 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 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.

AGAPE BROADCASTING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 each of the years ended December 31, 2014 and 2013.

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 U.S. 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 approximated $37,500 and $52,400 for the years ended December 31, 2014 and 2013, respectively.

Reclassifications of prior year information

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented and primarily impact the statement of functional expenses and in-kind contributions and exchanges. In addition, event revenues and costs related thereto have been increased by $4,778 each in order to report the line items gross instead of net. Such reclassifications had no impact on the previously reported change in net assets or on total net assets.

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.

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 $65,647 and $54,340 for the years ended December 31, 2014 and 2013, 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 $28,589 and $26,111 for the years ended December 31, 2014 and 2013, respectively. The landlord allowed early termination of the lease in August of 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:

Year	Amount
2015	$ 81,278
2016	91,512
2017	91,512
2018	88,762
2019	62,239
Thereafter	321,710
	$ 737,013

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.

Note D – Commitments and contingencies (continued):

Certain complaints have been asserted against the Foundation regarding program content, which could result in financial penalties or threaten 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 and does not expect this matter to have any impact on Agape's ability to maintain its broadcast license, nor does management expect resolution of this matter to have any significant impact on its financial condition or activities.

As of the issuance of these financial statements, no actions have been exerted by the FCC under the tolling agreement.

Note E - Subsequent events

Subsequent events have been evaluated through November 12, 2015, 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, 2014 AND 2013

	2014					2013
	Program Services		Supporting services			
	Broadcasts	Events	Management and general	Fundraising	Total	Total
Salaries and benefits	$ 121,082	$ 44,873	$ 43,124	$ 63,491	$ 272,570	$ 233,364
Advertising	12,762	2,848	-	21,914	37,524	52,368
Artists and related expenses	8,400	37,910	-	-	46,310	22,836
Concessions	-	21,009	-	-	21,009	38,076
Depreciation	26,379	-	-	-	26,379	26,379
Facility rentals	-	34,002	-	-	34,002	11,100
Meals and entertainment	-	-	407	2,000	2,407	370
Occupancy	106,206	2,859	5,417	7,433	121,915	112,310
Other expenses	1,063	11,654	14,379	5,273	32,369	31,570
Postage and shipping	-	-	129	10,214	10,343	13,053
Premiums and merchandise	-	-	2,970	35,460	38,430	37,307
Professional fees	19,846	-	35,045	-	54,891	40,135
Supplies	5,514	664	730	1,726	8,634	8,101
Utilities	11,449	1,274	1,401	3,312	17,436	21,376
Total expenses	$ 312,701	$ 157,093	$ 103,602	$ 150,823	$ 724,219	$ 648,345
Program services	$ 312,701	$ 157,093			$ 469,794	$ 401,485
Supporting services			$ 103,602	$ 150,823	$ 254,425	$ 246,860
Percentage of total	43.2%	21.7%	14.3%	20.8%		
Percentage of listener sponsorship				49.9%		

2013				
Program Services		Supporting services		
Broadcasts	Events	Management and general	Fundraising	Total
$ 97,134	$ 42,371	$ 38,807	$ 55,052	$ 233,364
21,467	2,767	-	28,134	52,368
10,150	12,686	-	-	22,836
-	38,076	-	-	38,076
26,379	-	-	-	26,379
-	11,100	-	-	11,100
-	-	370	-	370
94,143	3,133	6,417	8,617	112,310
4,502	3,743	17,513	5,812	31,570
-	-	1,135	11,918	13,053
-	-	3,371	33,936	37,307
12,510	-	27,625	-	40,135
4,742	695	753	1,911	8,101
14,455	1,432	1,551	3,938	21,376
$ 285,482	$ 116,003	$ 97,542	$ 149,318	$ 648,345
$ 285,482	$ 116,003			$ 401,485
		$ 97,542	$ 149,318	$ 246,860
44.0%	16.0%	15.0%	23.0%	
			50.6%	