

AGAPE HOUSE, INC.
WALWORTH, WISCONSIN
REVIEWED FINANCIAL STATEMENTS
AUGUST 31, 2016

AGAPE HOUSE, INC.
WALWORTH, WISCONSIN

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountant's Review Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	5 – 9



Chamberlain & Henningfield

Certified Public Accountants, LLP

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Agape House, Inc.
Walworth, Wisconsin

We have reviewed the accompanying financial statements of Agape House, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script, followed by the text 'CPA, LLP'.

CHAMBERLAIN & HENNINGFIELD, CPAS, LLP

May 25, 2017

FINANCIAL STATEMENTS

AGAPE HOUSE, INC.
 STATEMENTS OF FINANCIAL POSITION
 August 31, 2016

ASSETS	
Current assets	
Cash and cash equivalents	\$ <u>20,981</u>
Total current assets	20,981
Fixed Assets	
Property and equipment, net of accumulated depreciation of \$171,953	<u>676,286</u>
TOTAL ASSETS	\$ <u><u>697,267</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 247
Credit card payable	1,022
Payroll liabilities	873
Current portion of long term debt	<u>4,412</u>
Total current liabilities	6,554
Long term debt	<u>52,554</u>
TOTAL LIABILITIES	<u>59,108</u>
NET ASSETS	
Unrestricted	625,546
Undesignated	12,613
Designated	<u>638,159</u>
TOTAL NET ASSETS	<u>638,159</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>697,267</u></u>

See accompanying notes and independent accountant's review report.

AGAPE HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016

SUPPORT AND REVENUE

Support:

Donations and grants	\$ 229,676
Fundraising income	71,310
Miscellaneous income	10,081
Interest income	<u>9</u>

TOTAL SUPPORT 311,076

Revenue:

Program income	<u>44,558</u>
----------------	---------------

TOTAL SUPPORT AND REVENUE 355,634

EXPENSES

Program expenses

Wages	213,511
Payroll taxes	21,019
Education and enrichment	8,114
Home costs	4,600
Food	4,241
Auto expense	3,347
Healthcare	1,241
Program supplies	<u>405</u>

TOTAL PROGRAM EXPENSES 256,478

General supporting expenses

Depreciation	22,580
Utilities	13,563
Insurance	11,561
Bad debt	9,154
Telephone	5,768
Miscellaneous expense	5,640
Interest expense	3,274
Computer expenses	2,072
Office supplies	1,926
Legal and accounting	1,624
Dues and fees	1,225
Postage	862
Bank charges	602
Volunteer and donor recognition	<u>103</u>

TOTAL GENERAL SUPPORTING EXPENSES 79,954

Fundraising expenses

24,522

TOTAL EXPENSES 360,954

INCREASE (DECREASE) IN NET ASSETS (5,320)

NET ASSETS AT BEGINNING OF YEAR 643,479

NET ASSETS AT END OF YEAR \$ 638,159

AGAPE HOUSE, INC.
 STATEMENTS OF CASH FLOWS
 For the Year Ended August 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ (5,320)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,580
(Increase) decrease in operating assets	
Accounts receivable	3,929
Increase (decrease) in operating liabilities	
Accounts payable	(521)
Credit card payable	638
Payroll liabilities	<u>(1,504)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>19,802</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Debt reductions	<u>(4,340)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(4,340)</u>
NET INCREASE (DECREASE) BY CASH AND CASH EQUIVALENTS	15,462
BEGINNING CASH AND CASH EQUIVALENTS	<u>5,519</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 20,981</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ 3,274</u>

See accompanying notes and independent accountant's review report.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Agape House, Inc. was organized December 23, 1998 as a nonprofit organization in the State of Wisconsin. The Organization is grace-based Christian ministry dedicated to providing a stable, loving, and Christ-centered place for hurting, teenage girls to come to know God, to receive His healing, and to walk in His will. Through a variety of non-denominational ministry services and activities, troubled girls will come to know Christ personally and find hope in all aspects of their lives so they may become healthy, responsible, productive adults. A talented team of professional staff and gifted volunteers administer programs that provide an opportunity for girls in need to heal and grow in a safe, nurturing environment. The Agape House philosophy “No Girl Left Behind” means that those who are in need will never be turned away because of an inability to pay. Continuous outreach for funding will sustain Agape House programs which are solely dependent on tuition and the generosity of its donors. The experience at Agape House is designed to help their clients achieve one or more of these goals:

- Build healthy self-esteem and relationships
- Experience emotional or spiritual healing
- Accept authority
- Build strong families of their own someday
- Live independently
- Fulfill their academic or vocational potential
- Grow to become women of God

Agape house has different programs to offer girls of all ages and circumstances. Agape House offers hope and healing to abused or distressed girls ages 12 through 28 through four ministry programs. Programs offered include Christian counseling services, mentoring, school and a safe home.

Counseling Centers

The Agape Counseling Centers in Walworth and East Troy, Wisconsin are branches of Agape House ministry offering grace-based, New Covenant Biblical counseling. The Walworth location provides parenting classes and support groups to encourage parents and guardians in the development of a loving home. The East Troy location was added to offer counseling and prayer to individuals, couples, youth and families in the immediate area and surrounding communities, including Waukesha and Milwaukee Counties.

Agape Home

The Agape ministry offers a supportive home for girls in distress to heal and grow. Up to 16 girls are able to live in a home setting, complete with loving house parents. Agape House is not a permanent home as the goal of the ministry is to place residents back with their own family or into a safe environment that best approximates a true family. The TLH (Transitional Living Home) is a home for young women ages 18 and older who need help

NOTE 1 – NATURE OF ORGANIZATION, continued

Agape Home, continued

transitioning into adulthood and independent living. The center offers housing, counseling, mentoring, and staff to help young women from Agape House, foster care, or the community, achieve goals to become healthy and independent.

Agape School

Agape School provides Christian-based education for grades 7 – 12 where at-risk through gifted students receive personal attention customized to specific academic levels. A supportive atmosphere with trained, professional staff meets behavioral, emotional and spiritual needs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Public Support and Revenue

Contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is a non-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income is taxable by both the Federal and State governments. For the current year, the organization did not have any unrelated business taxable income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting for Uncertainty in Income Taxes

The Organization has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate, at least annually, the potential for income tax exposure. Any exposure from such positions is recorded based on the largest cost that has a greater than 50% likelihood of being incurred upon ultimate settlement. The adoption of ASC 740-10 did not have a material effect on its financial position, results of operations or cash flows. The Organization is no longer subject to examination by federal income tax authorities for periods before 2013 and state income tax authorities for periods before 2012.

Net Assets

Net assets have been recorded and reported as changes in unrestricted and restricted net assets.

Unrestricted – Unrestricted net assets consist of resources that are available for use in carrying out the mission of the Organization and include those expendable resources that have been designated for special purpose by the Board.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's activities. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in the accompanying financial statements.

Contributed services are reported as contributions if such services create or enhance non-financial assets or if they would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing such specialized skills. Contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in unrestricted functional expenses in the statement of activities, resulting in no net impact on the change in net assets during the year. There were no contributed services recognized for the year ended August 31, 2016.

Property and Equipment

The Agape House, Inc. capitalizes all asset acquisitions over \$500 per unit cost and a useful life over one year. Depreciation is provided, using the straight-line method over the estimated useful life of the related asset. The following useful lives are used in determining depreciation:

	<u>Estimated Useful Life</u>
Building and improvements	15-39 years
Furniture and Equipment	5-7 years
Automobiles	5 years

AGAPE HOUSE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amounts of all time, savings accounts (including NOW accounts), and all non-interest bearing demand deposit accounts.

At year-end, the carrying amount of the Organization’s deposits was \$20,981 and the bank balance was \$22,365. All of the bank balance was covered by federal depository insurance.

NOTE 4 – PROPERTY AND EQUIPMENT

At August 31, 2016, the cost and accumulated depreciation of property and equipment was:

Land	\$123,385
Building – Grace Church	426,964
Building – Grace Church Improvements	156,543
Building – 230 South Main Street	98,373
Building – 230 South Main Street Improvements	12,643
Equipment	7,313
Furniture	8,518
Automobile	14,500
Total	<u>848,239</u>
Less: Accumulated depreciation	<u>(171,953)</u>
Net Property and Equipment	<u>\$676,286</u>

Depreciation expense was \$22,580 for the year ended August 31, 2016.

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2016</u>
First National Bank & Trust, Walworth, WI Due December 2027, with interest at 5%, collateralized by Building and Land.	\$56,966
Less: Current Portion	<u>(4,412)</u>
Long-Term Debt	<u>\$52,554</u>

AGAPE HOUSE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

NOTE 5 – LONG-TERM DEBT, continued

Maturities of long-term debt are as follows:

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$4,412	\$2,746	\$7,158
2018	4,637	2,520	7,157
2019	4,874	2,283	7,157
2020	5,124	2,033	7,157
2021	5,386	1,771	7,157
2022-2026	31,356	4,430	35,786
2027	1,177	7	1,184
Totals	<u>\$56,966</u>	<u>\$15,790</u>	<u>\$72,756</u>

Interest expense for the year ended August 31, 2016 was \$3,274.

NOTE 6 – DESIGNATED NET ASSETS

The Board of Directors has designated certain unrestricted net assets for website improvements, repairs, equipment, and other major purchases. The balance of designated net assets as of August 31, 2016 was \$12,613.

NOTE 7 – INSURANCE RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Association carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 25, 2017, the date that the financial statements were available to be issued.



Chamberlain & Henningfield

Certified Public Accountants, LLP

May 25, 2017

To the Board of Directors of
Agape House, Inc.

In planning and performing the review and tax preparation services for Agape House, Inc. for the year ended August 31, 2016, we became aware of a couple matters that are opportunities for strengthening internal controls and operating efficiency, as well as ensure the Organization's compliance with federal and state laws and regulations. Our suggestions and comments are summarized below.

COMMENTS AND RECOMMENDATIONS

Bank reconciliations

Management should continue to see that all bank accounts are reconciled timely on a monthly basis through Quickbooks. Also, make sure register balance per bank reconciliation matches balance sheet.

Board of Directors Reports

The Board of Directors should receive on a monthly basis the bank reconciliations, profit and loss, balance sheet, and list of checks written for the previous month. They should review and approve at each meeting. Approval should be noted in the minutes.

Non-cash donations and services donated

Non-cash donations over a certain dollar amount should be tracked either in a spreadsheet or recorded in Quickbooks when donated. The Board should set this dollar amount at a reasonable amount. Also, any specialized services donated should be valued and recorded in Quickbooks or kept track in a spreadsheet.

Board minutes

Board minutes should contain approval of all major contracts, agreements, personnel hiring, pay rate for hired personnel, donation of non-cash items, and any other significant items.

Policies

The organization should have in place written policies in regards to conflict of interest, whistle-blowing, and document retention and destruction. These policies do not need to be in the bylaws, but there should be written policies covering these issues for compliance with Form 990 instructions.

We will be pleased to discuss these items in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

 *Chamberlain & Henningfield* CPAs, LLC
CHAMBERLAIN & HENNINGFIELD, CPAs, LLP