

AGAPE HOUSE, INC.

WALWORTH, WISCONSIN

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2018

AGAPE HOUSE, INC.
WALWORTH, WISCONSIN

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 – 11
SUPPLEMENTARY INFORMATION	
Changes in Temporarily Restricted Net Assets	12



Chamberlain & Henningfield

Certified Public Accountants, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Agape House, Inc.

We have audited the accompanying financial statements of Agape House, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, 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.

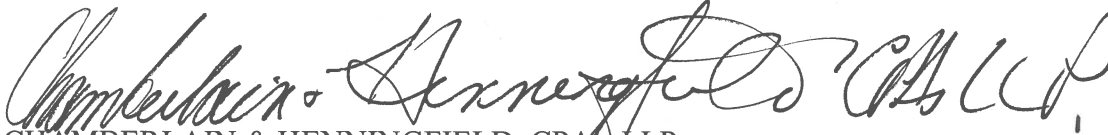
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agape House, Inc. as of August 31, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The changes in temporarily restricted net assets on page 12 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.



CHAMBERLAIN & HENNINGFIELD, CPAs, LLP

Lake Geneva, Wisconsin
February 1, 2019

FINANCIAL STATEMENTS

AGAPE HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2018

ASSETS	
Current assets	
Cash and cash equivalents	\$ 136,085
Accounts receivable	<u>9,797</u>
Total current assets	<u>145,882</u>
Fixed Assets	
Property and equipment, net of accumulated depreciation of \$217,113	<u>846,194</u>
Other Asset	
Prepaid - Unemployment Reimbursement Account	<u>10,000</u>
TOTAL ASSETS	<u>\$ 1,002,076</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 171
Credit card payable	4,256
Payroll liabilities	3,221
Current portion of long term debt	<u>4,874</u>
Total current liabilities	12,522
Long term debt	<u>43,852</u>
TOTAL LIABILITIES	<u>56,374</u>
NET ASSETS	
Unrestricted	
Undesignated	828,620
Designated	<u>117,082</u>
TOTAL NET ASSETS	<u>945,702</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,002,076</u>

See accompanying notes and independent accountant's review report.

AGAPE HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Support:

Donations and grants	\$	548,492
Fundraising income		107,032
Miscellaneous income		<u>10,485</u>

TOTAL SUPPORT 666,009

Revenue:

Program income		<u>66,044</u>
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Net assets released from restrictions:

Restrictions satisfied by payments		<u>6,524</u>
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TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS 738,577

EXPENSES

Program expenses

Wages		256,676
Depreciation		23,078
Payroll taxes		21,784
Education and enrichment		20,249
Utilities		18,830
Home costs		14,341
Program supplies		13,786
Auto expense		10,768
Food		7,492
Telephone		6,972
Healthcare		6,230
Miscellaneous expense		4,535
Interest expense		<u>2,570</u>

TOTAL PROGRAM EXPENSES 407,311

General supporting expenses

Insurance		9,969
Legal and accounting		6,666
Office supplies		3,007
Computer expenses		3,790
Volunteer and donor recognition		2,650
Miscellaneous expense		1,993
Dues and fees		1,482
Postage		1,231
Bank charges		<u>575</u>

TOTAL GENERAL SUPPORTING EXPENSES 31,363

Fundraising expenses

44,436

TOTAL EXPENSES 483,110

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS 255,467

TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions:

Restrictions satisfied by payments		<u>(6,524)</u>
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INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS (6,524)

INCREASE (DECREASE) IN NET ASSETS 248,943

NET ASSETS AT BEGINNING OF YEAR 696,759

NET ASSETS AT END OF YEAR \$ 945,702

AGAPE HOUSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$ 248,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,078
Gifts in kind of capital assets	(181,500)
(Increase) decrease in operating liabilities	
Accounts receivable	(9,797)
Prepays	(10,000)
Increase (decrease) in operating liabilities	
Accounts payable	34
Credit card payable	2,429
Payroll liabilities	1,148
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	74,335

CASH FLOWS FROM INVESTING ACTIVITIES

Capital asset purchases	<hr/> (7,628)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<hr/> (7,628)

CASH FLOWS FROM FINANCING ACTIVITIES

Debt reductions	<hr/> (3,863)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<hr/> (3,863)

NET INCREASE (DECREASE) BY CASH AND CASH EQUIVALENTS 62,844

BEGINNING CASH AND CASH EQUIVALENTS

73,241

ENDING CASH AND CASH EQUIVALENTS \$ 136,085

Supplemental disclosures of cash flow information:

Noncash transactions:

The following is a summary of Gifts in Kind received during the year ended August 31, 2018

Total Gifts in Kind	\$ 181,500
Received for operations	<hr/> -
Received for capital asset acquisition	<hr/> <u>\$ 181,500</u>

Cash paid during the year for interest \$ 2,570

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, teens 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 teens 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 teens and young adults in need to heal and grow in a safe, nurturing environment. The Agape House philosophy “No Child 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 Godly men and women

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

Counseling Centers

The Agape Counseling Centers in Walworth and Mukwonago, 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 Mukwonago 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 boys and girls in distress to heal and grow. Up to 8 boys, ages 12 through 16, and 16 girls, ages 12 through 18, are able to live in a home setting, complete with loving house staff. 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 transitioning into adulthood and independent living.

NOTE 1 – NATURE OF ORGANIZATION, continued

Agape Home, continued

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 at-risk and gifted students; they 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 2015 and state income tax authorities for periods before 2014.

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.

Temporarily Restricted – Temporarily restricted net assets represent those amounts that are donor restricted with respect to purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

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, 2018.

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:

AGAPE HOUSE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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 \$134,127 and the bank balance was \$136,233. All of the bank balance was covered by federal depository insurance.

NOTE 4 – PROPERTY AND EQUIPMENT

At August 31, 2018, the cost and accumulated depreciation of property and equipment was:

Land	\$175,885
Building – Grace Church	458,032
Building – Grace Church Improvements	163,043
Building – 230 South Main Street	98,373
Building – 230 South Main Street Improvements	12,643
Building – 119 Phillips	122,500
Equipment	7,313
Furniture	8,518
Automobile	17,000
Total	<u>1,063,307</u>
Less: Accumulated depreciation	<u>(217,113)</u>
Net Property and Equipment	<u>\$846,194</u>

Depreciation expense was \$23,078 for the year ended August 31, 2018.

AGAPE HOUSE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2018

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2018</u>
First National Bank & Trust, Walworth, WI Due December 2027, with interest at 5%, collateralized by Building and Land.	\$48,726
Less: Current Portion	<u>(4,874)</u>
Long-Term Debt	<u><u>\$43,852</u></u>

Maturities of long-term debt are as follows:

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$4,874	\$2,283	\$7,157
2020	5,124	2,033	7,157
2021	5,386	1,771	7,157
2022	5,662	1,496	7,158
2023	5,951	1,206	7,157
2024-2027	<u>21,729</u>	<u>1,735</u>	<u>23,464</u>
Totals	<u>\$48,726</u>	<u>\$10,524</u>	<u>\$59,250</u>

Interest expense for the year ended August 31, 2017 was \$2,570.

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, 2018 was \$117,082.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were expended for:

HVAC repairs and replacement	<u>\$6,524</u>
Total	<u><u>\$6,524</u></u>

NOTE 8 – 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 9 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 1, 2019, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AGAPE HOUSE, INC.
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS
For the Year Ended August 31, 2018

	HVAC
	<u>Repairs/replacement</u>
Balance at beginning of year	\$ 6,524
Current year contributions	-
Assets released from restrictions	<u>(6,524)</u>
Balance at end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements