

ALL GOD'S CHILDREN INTERNATIONAL

Financial Statements

For the Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018	7
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017	8
NOTES TO FINANCIAL STATEMENTS	9



ACCOUNTING AND ADVISORY SERVICES

Independent Auditor's Report

To the Board of Directors
All God's Children International
Portland, Oregon

We have audited the accompanying financial statements of All God's Children International, which comprise the statements of financial position as of December 31, 2018 and December 31, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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

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.

Richard Winkel, CPA

PO Box 91637
Portland, OR 97291

tel: (503) 332-6750
fax: (888) 739-8185
email: rwinkel@winkelcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All God's Children International as of December 31, 2018 and 2017, 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.

Richard Winkel, CPA

Portland, Oregon
June 18, 2019

ALL GOD'S CHILDREN INTERNATIONAL
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 984,733	\$ 1,381,753
Accounts receivable	68,963	83,158
Other current assets	10,110	14,012
Total current assets	1,063,806	1,478,923
Capital assets, net of depreciation	17,800	20,684
Total assets	\$ 1,081,606	\$ 1,499,607
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 46,302	\$ 65,580
Accounts payable	130,894	78,839
Accrued payroll	24,838	44,962
Accrued vacation	39,773	46,405
Client deposits	228,142	273,742
Total current liabilities	469,949	509,528
Total liabilities	469,949	509,528
NET ASSETS		
Net assets without restrictions	611,657	990,079
Total net assets	611,657	990,079
Total liabilities and net assets	\$ 1,081,606	\$ 1,499,607

The accompanying notes are an integral part of these financial statements

ALL GOD'S CHILDREN INTERNATIONAL
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Contract fees, net of refunds	\$ 2,739,235	\$ 2,949,307
Contributions and grants	1,936,410	1,594,620
Rental income	33,300	33,300
Interest and other income	4,435	7,262
Total revenues	4,713,380	4,584,489
Expenses:		
Program services	4,593,740	3,979,489
Management and general	211,922	126,566
Fundraising	286,140	352,929
Total expenses	5,091,802	4,458,984
Change in net assets	(378,422)	125,505
Net assets without restrictions, beginning of year	990,079	864,574
Net assets without restrictions, end of year	\$ 611,657	\$ 990,079

The accompanying notes are an integral part of these financial statements

ALL GOD'S CHILDREN INTERNATIONAL
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2018 and 2017

	2018	2017
Increase (Decrease) in Cash and Cash Equivalents		
Change in net assets	\$ (378,422)	\$ 125,505
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	9,311	8,354
Change in assets and liabilities:		
Accounts receivable	14,195	26,603
Other current assets	3,902	(4,662)
Accounts payable	52,055	(9,150)
Accrued payroll	(20,124)	13,776
Accrued vacation	(6,632)	39,370
Security deposits	-	(5,628)
Client deposits	(45,600)	119,992
Net cash provided by operating activities	(371,315)	314,160
Cash flows from investing activities:		
Purchase of property and equipment	(6,427)	(2,939)
Net cash used in investing activities	(6,427)	(2,939)
Cash flows from financing activities:		
Draws on line of credit	6,340	8,967
Payments on line of credit	(25,618)	(21,544)
Net cash used in financing activities	(19,278)	(12,577)
Net change in cash and cash equivalents	(397,020)	298,644
Cash and cash equivalents, beginning of year	1,381,753	1,083,109
Cash and cash equivalents, end of year	\$ 984,733	\$ 1,381,753
Supplemental schedule of non-cash investing and financing activities:		
Cash paid for interest	\$ 10,863	\$ 11,463

The accompanying notes are an integral part of these financial statements

ALL GOD'S CHILDREN INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Orphan care	\$ 628,552	\$ -	\$ -	\$ 628,552
Adoption costs	963,353	-	-	963,353
Mission trips	87,311	-	-	87,311
Salaries and wages	1,523,061	129,861	155,725	1,808,647
Employee benefits	64,595	5,508	6,604	76,707
Payroll taxes	120,398	10,266	12,310	142,974
Administration	349,777	15,716	37,476	402,969
Development and marketing	395,081	17,751	42,330	455,162
Professional fees	165,026	14,071	16,873	195,970
Occupancy	93,882	8,005	9,599	111,486
Travel	185,716	9,295	3,486	198,497
Interest	9,148	780	935	10,863
Total expenses before depreciation	4,585,900	211,253	285,338	5,082,491
Depreciation	7,840	669	802	9,311
Total expense	<u>\$ 4,593,740</u>	<u>\$ 211,922</u>	<u>\$ 286,140</u>	<u>\$ 5,091,802</u>

The accompanying notes are an integral part of these financial statements

ALL GOD'S CHILDREN INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Orphan care	\$ 349,790	\$ -	\$ -	\$ 349,790
Adoption costs	1,040,892	-	-	1,040,892
Mission trips	3,208	-	-	3,208
Salaries and wages	1,239,445	48,063	168,949	1,456,457
Employee benefits	86,474	3,353	11,787	101,614
Payroll taxes	120,667	4,679	16,448	141,794
Administration	302,876	22,575	50,793	376,244
Development and marketing	362,963	27,053	60,870	450,886
Professional fees	200,591	7,778	27,343	235,712
Occupancy	80,362	3,116	10,954	94,432
Travel	175,357	9,295	3,486	188,138
Interest	9,755	378	1,330	11,463
Total expenses before depreciation	3,972,380	126,290	351,960	4,450,630
Depreciation	7,109	276	969	8,354
Total expense	<u>\$ 3,979,489</u>	<u>\$ 126,566</u>	<u>\$ 352,929</u>	<u>\$ 4,458,984</u>

The accompanying notes are an integral part to these financial statements

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE A – ORGANIZATION

All God's Children International (the "Organization") is a nonprofit corporation organized in the state of Oregon that operates primarily in Oregon, Washington, Michigan, Indiana, Kentucky, Ohio and Texas. The Organization coordinates and facilitates adoption services to families by working with organizations, adoption agencies, and orphanages in Europe, Asia, Latin America, and Africa that are seeking to find adoptive parents for children within their respective countries. The Organization has contracts with these organizations to facilitate the placement of children into homes of willing families. The Organization is funded through contract fees for adoption services and contributions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. There are no net assets with restrictions at December 31, 2018 or 2017.

Concentration of Economic Risk

The Organization is highly dependent on certain countries to source adoptions. During the year ended December 31, 2018 three countries accounted for 38%, 21%, and 14% of completed adoptions. During the year ended December 31, 2017 three countries accounted for 26%, 25%, and 22% of completed adoptions. If political unrest was to occur in any or all of these key countries or if adoptions were disrupted the Organization's ongoing operations could be severely impacted. The Organization has undertaken significant efforts during 2018 and 2017 to diversify and to open the Organizations adoption services to new countries.

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. Deposits in excess of FDIC coverage are not insured. The Organization had \$385,999 and \$586,707 in cash exceeding FDIC insurance at December 31, 2018 and 2017, respectively.

Revenues

Accounts receivable represent outstanding billings due from individuals for adoption services which the Organization is facilitating. Due to the long-term nature of the adoption process, the Organization has contract terms that may span multiple years. The Organization provides services over the contract period and payment terms generally match the period of service. Revenues for services provided under the terms of the adoption contracts are recognized as services are provided.

Support from contributors is recorded when unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of receipt.

No amounts have been reflected in the financial statements for donated services. Certain individuals, including members of the Board of Directors, donate time to the operations of the Organization. There are no contributed services that meet the requirements for recognition.

Receivables

Receivables are recognized when the service is provided. The Organization uses the allowance method to account for uncollectible accounts. Receivables are considered to be impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Substantially all balances are collected when the service is provided; therefore, management has determined that the risk of loss to the Organization for uncollectible balances is not significant and no allowance was deemed necessary at December 31, 2018 or 2017.

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, prepaid expenses and other assets, accounts payable, and accrued liabilities, their fair value approximates carrying value.

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at purchase cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed property is recorded at its fair market value on the date of contribution.

The Organization depreciates property and equipment over its estimated useful life using the straight-line method for financial reporting purposes. The Organization generally uses the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5 – 15 years

Grants and Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts-In-Kind

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended December 31, 2018 and 2017 the Organization recognized \$43,654 and \$0, respectively, of donated materials and supplies. During the year ended December 31, 2018 and 2017 there were \$33,300 recognized for the value of donated office space. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as in-kind contributions on the accompanying statement of activities and statement of functional expenses.

Advertising Costs

Advertising is expensed as incurred.

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(1). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on payroll costs.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Administration expenses	Time and effort
Travel	Time and effort

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	\$ 984,733	\$ 1,381,753
Accounts receivable	68,963	83,158
Total financial assets available	\$ 1,053,696	\$ 1,464,911

NOTE D – CAPITAL ASSETS

Major classes of capital assets consist of the following at December 31:

	2018	2017
Furniture and equipment	\$ 49,588	\$ 43,161
Less accumulated depreciation	(31,788)	(22,477)
	\$ 17,800	\$ 20,684

Depreciation expense was \$9,311 and \$8,354 for the years ended December 31, 2018 and 2017, respectively.

NOTE E – LINE OF CREDIT

The Organization has a line of credit with a bank granting borrowings up to \$100,000. The line of credit accrues interest at 12.75% per annum. AGCI had \$46,302 and \$65,580 outstanding under the terms of the line of credit as of December 31, 2018 and 2017, respectively.

NOTE F – LEASES

The Organization rents office space from Northwest Community Ministries on a month to month basis and is not charged rent. The Organization has recorded an in-kind donation of \$33,300 for the each of the years ended December 31, 2018 and 2017.

The Organization also leases a copier from CTX that expires February 28, 2021 with monthly payments of \$913. CTX paid AGCI \$18,066 to buy out their prior contract with Pacific Automation in November 2015. As such, this deferred asset will be amortized using the straight line method for the term of the CTX lease, which results in a monthly offset of \$291.

ALL GOD'S CHILDREN INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE F – LEASES (CONTINUED)

Future minimum payments under the operating leases are as follows:

<u>Year ending December 31,</u>	
2019	\$ 7,458
2020	7,458
2021	<u>1,243</u>
	\$ <u>16,159</u>

NOTE G– EMPLOYEE BENEFIT PLANS

The Organization has a 401(k) plan covering substantially all employees of the Organization. Participants may elect to defer a portion of their salary up to the maximum percentage allowable by the Internal Revenue Code. The Organization makes a matching contribution to the plan up to 4% of participant's earnings. Employer contributions of \$25,578 and \$21,895 were expensed for the years ended December 31, 2018 and 2017, respectively.

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 18, 2019 which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.