ALL GOD'S CHILDREN INTERNATIONAL

Financial Statements

For the Years Ended December 31, 2013 and 2012

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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, 2013 and December 31, 2012, 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.

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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, 2013 and 2012, 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
July 16, 2014

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 314,205	$ 303,268
Accounts receivable	81,224	24,075
Grants receivable	-	52,800
Inventory	3,648	11,622
Other assets	4,568	-
Total current assets	403,645	391,765
Property and equipment, net of depreciation	1,080,719	1,126,773
Total assets	$ 1,484,364	$ 1,518,538
LIABILITIES AND NET ASSETS		
Line of credit	$ 92,321	$ 94,768
Current portion of long-term debt	38,054	28,050
Accounts payable	137,195	50,529
Accrued payroll	40,440	22,880
Accrued vacation	28,086	30,297
Client deposits	85,819	62,425
Total current liabilities	421,915	288,949
Long-term debt, net of current portion	661,843	696,444
Total liabilities	1,083,758	985,393
NET ASSETS		
Unrestricted	400,606	533,145
Total net assets	400,606	533,145
Total liabilities and net assets	$ 1,484,364	$ 1,518,548

The accompanying notes are an integral part of these financial statements.

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Contract fees, net of refunds	$ 2,214,194	$ 3,114,987
Contributions and grants	849,204	741,006
Interest income	6	159
Total revenues	3,063,404	3,856,152
Expenses:		
Program services	2,847,364	3,714,825
Management and general	163,280	281,312
Fundraising	185,299	204,964
Total expenses	3,195,943	4,201,101
Change in net assets	(132,539)	(344,949)
Net assets, beginning of year	533,145	878,094
Net assets, end of year	$ 400,606	$ 533,145

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, 2013 and 2012

		2013		2012
Increase (decrease) in cash and cash equivalents				
Change in net assets	$	(132,539)	$	(344,949)
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation		46,054		62,247
Changes in assets and liabilities:				
Accounts receivable		(57,149)		5,351
Grants receivable		52,800		(41,798)
Inventory		7,974		(11,622)
Other current assets		(4,568)		-
Accounts payable		86,666		26,520
Accrued payroll		17,560		5,345
Accrued vacation		(2,211)		(13,113)
Customer deposits		23,394		(45,080)
Net cash provided by (used in) operating activities		37,981		(357,099)
Cash flows from investing activities:				
Purchases of property and equipment		-		-
Net cash used in investing activities		-		-
Cash flows from financing activities:				
Draws on line of credit		9,274		11,184
Payments on line of credit		(11,721)		(11,653)
Principal payments on long-term debt		(24,597)		(59,821)
Net cash used in financing activities		(27,044)		(60,290)
Net change in cash and cash equivalents		10,937		(417,389)
Cash, beginning of year		303,268		720,657
Cash, end of year		314,205	$	303,268
Cash paid for interest	$	56,150	$	48,925

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, 2013

	Program Services	Management and General	Fundraising	Total
Orphan care	$ 321,577	$ -	$ -	$ 321,577
Adoption costs	869,151	-	-	869,151
Mission trips	194,684	-	-	194,684
Salaries and wages	815,641	41,194	57,673	914,508
Employee benefits	66,330	3,769	5,276	75,375
Payroll taxes	84,920	4,825	6,755	96,500
Contracted labor	-	-	-	-
Administration	150,677	90,590	10,373	251,640
Development and marketing	157,610	2,742	82,125	242,477
Professional fees	17,662	1,004	1,405	20,071
Occupancy	75,054	4,264	5,971	85,289
Travel	4,118	9,781	8,568	22,467
Interest	49,412	2,808	3,930	56,150
Total expenses before depreciation	2,806,836	160,977	182,076	3,149,889
Depreciation	40,528	2,303	3,223	46,054
Total expenses	$ 2,847,364	$ 163,280	$ 185,299	$ 3,195,943

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, 2012

	Program Services	Management and General	Fundraising	Total
Orphan care	$ 280,605	$ -	$ -	$ 280,605
Adoption costs	1,181,457	-	-	1,181,457
Mission trips	177,699	-	-	177,699
Salaries and wages	1,123,434	62,762	69,038	1,255,234
Employee benefits	171,798	9,598	10,557	191,953
Payroll taxes	116,330	6,499	7,149	129,978
Contracted labor	10,346	-	-	10,346
Administration	152,731	170,618	8,600	331,949
Development and marketing	199,428	15,341	92,044	306,813
Professional fees	35,603	1,989	2,188	39,780
Occupancy	87,452	4,555	5,011	97,018
Travel	78,444	4,392	4,262	87,098
Interest	43,787	2,446	2,691	48,924
Total expenses before depreciation and amortization	3,659,114	278,200	201,540	4,138,854
Depreciation and amortization	55,711	3,112	3,424	62,247
Total expenses	$ 3,714,825	$ 281,312	$ 204,964	$ 4,201,101

The accompanying notes are an integral part of these financial statements.

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 and Ohio. 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.

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 on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

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

Unrestricted Net Assets are net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. The Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted revenues. There are no restricted net assets at December 31, 2013 or 2012.

Concentration of Economic Risk

The Organization is highly dependent on certain countries to source adoptions. During the year ended December 31, 2013 three countries accounted for 36%, 35% and 22% of completed adoptions. During the year ended December 31, 2012 three countries accounted for 46%, 23% and 20% 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 2013 and 2012 to diversify and to open the Organizations adoption services to new countries.

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. There were no material bank balances that exceeded FDIC insurance at December 31, 2013 or 2012.

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, 2013 or 2012.

Inventories

Inventory includes books and DVDs and are carried at the lower of cost or market.

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.

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

Advertising Costs

Advertising is expensed as incurred.

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.

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.

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.

Reclassification of Prior Year Amounts

Certain 2012 amounts have been reclassified to conform to the current year presentation.

NOTE C – PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following at December 31:

	2013	2012
Land	$ 175,000	$ 175,000
Building and improvements	1,045,899	1,045,899
Furniture and equipment	619,315	619,315
	1,840,214	1,840,214
Less accumulated depreciation	(759,495)	(713,441)
	$ 1,080,719	$ 1,126,773

Depreciation expense was $46,054 and $62,247 for the years ended December 31, 2013 and 2012, respectively.

NOTE D – LINES 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 a blended rate of 10.0% per annum. AGCI had $92,321and $94,768 outstanding under the terms of the line of credit as of December 31, 2013 and 2012, respectively.

NOTE E – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2013	2012
Note payable to a bank in monthly installments of $4,502 including interest at 5.05% per annum with a balloon payment due October 6, 2016. The note is secured by the headquarters facility.	$ 681,897	$ 700,494
Note payable to a private individual. The note requires monthly payments of $2,000 with zero interest and matures on December 1, 2014.	18,000	24,000
	699,897	724,494
Less amounts currently due	38,054	28,050
	$ 661,843	$ 696,444

NOTE E – LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

Year ending December 31,		
2014	$	38,054
2015		21,090
2016		640,753
Total	$	699,897

NOTE F – LEASES

The Organization leases office space and equipment under non-cancelable operating lease agreements which expire at various dates through June 2016. The Organization also leases office space under a month to month agreement.

Total rent expense was $42,813 and $39,033 for the years ended December 31, 2013 and 2012, respectively.

Future minimum payments under the operating leases are as follows:

Year ending December 31,		
2014	$	28,620
2015		28,620
2016		14,310
	$	71,550

Subsequent to year end the Organization entered into a lease for office space. The lease requires monthly payments of $2,100 beginning in March 2014 and expires in February 2017. Monthly rental amounts increase each year over the life of the lease.

The Organization also entered into an agreement to sublease their building to another nonprofit organization. The sublease requires monthly rental payments of $5,000 per month beginning in March 2014 and expires in April 2019. Monthly rental amounts increase each year over the life of the lease.

NOTE G – RELATED PARTY TRANSACTIONS

The Organization contracts with the founders' son to provide professional services. Total payments to the founders' son were $1,250 and $51,324 during the years ended December 31, 2013 and 2012, respectively.

NOTE H – 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 $10,833 and $20,643 were accrued for the years ended December 31, 2013 and 2012, respectively.

NOTE I – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 16, 2014 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, 2013.