ALL GOD’S CHILDREN INTERNATIONAL

Financial Statements

For the Years Ended December 31, 2014 and 2013

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WINKEL CPA
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, 2014 and December 31, 2013, 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, 2014 and 2013, 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
April 17, 2015

ALL GOD'S CHILDREN INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 306,356	$ 314,205
Accounts receivable	115,785	81,224
Inventory	3,648	3,648
Other current assets	8,803	4,568
Total current assets	434,592	403,645
Property and equipment, net of depreciation	1,048,025	1,080,719
Total assets	$ 1,482,617	$ 1,484,364
LIABILITIES AND NET ASSETS		
Line of credit	$ 89,551	$ 92,321
Current portion of long-term debt	28,090	38,054
Accounts payable	165,928	137,195
Accrued payroll	12,527	40,440
Accrued vacation	26,636	28,086
Client deposits	108,624	85,819
Total current liabilities	431,356	421,915
Long-term debt, net of current portion	641,235	661,843
Total liabilities	1,072,591	1,083,758
NET ASSETS		
Unrestricted	410,026	400,606
Total net assets	410,026	400,606
Total liabilities and net assets	$ 1,482,617	$ 1,484,364

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, 2014 and 2013

	2014	2013
Revenues:		
Contract fees, net of refunds	$ 2,281,009	$ 2,214,194
Contributions and grants	1,034,404	849,204
Rental income	47,575	-
Interest and other income	34	6
Total revenues	3,363,022	3,063,404
Expenses:		
Program services	3,015,149	2,847,364
Management and general	121,895	163,280
Fundraising	216,558	185,299
Total expenses	3,353,602	3,195,943
Change in net assets	9,420	(132,539)
Net assets, beginning of year	400,606	533,145
Net assets, end of year	$ 410,026	$ 400,606

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, 2014 and 2013

	2014	2013
Increase (Decrease) in Cash and Cash Equivalents		
Change in net assets	$ 9,420	$ (132,539)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	43,776	46,054
Change in assets and liabilities:		
Accounts receivable	(34,561)	(57,149)
Grants receivable	-	52,800
Inventory	-	7,974
Other current assets	(4,235)	(4,568)
Accounts payable	28,733	86,666
Accrued payroll	(27,913)	17,560
Accrued vacation	(1,450)	(2,211)
Customer deposits	22,805	23,394
Net cash provided by operating activities	36,575	37,981
Cash flows from investing activities:		
Purchase of property and equipment	(11,082)	-
Net cash used in investing activities	(11,082)	-
Cash flows from financing activities:		
Draws on line of credit	9,734	9,274
Payments on line of credit	(12,504)	(11,721)
Principal payments on long-term debt	(30,572)	(24,597)
Net cash used in financing activities	(33,342)	(27,044)
Net change in cash and cash equiavalents	(7,849)	10,937
Cash and cash equivalents, beginning of year	314,205	303,268
Cash and cash equivalents, end of year	$ 306,356	$ 314,205
Cash paid for interest	$ 58,932	$ 56,150

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, 2014

	Program Services	Management and General	Fundraising	Total
Orphan care	$ 490,089	$ -	$ -	$ 490,089
Adoption costs	890,510	-	-	890,510
Mission trips	80,328	-	-	80,328
Salaries and wages	758,540	37,433	52,406	848,379
Employee benefits	58,474	3,322	4,652	66,448
Payroll taxes	70,771	4,021	5,630	80,422
Contracted labor	-	-	-	-
Administration	219,643	52,443	24,183	296,269
Development and marketing	205,837	2,570	108,266	316,673
Professional fees	48,160	2,736	3,831	54,727
Occupancy	86,933	4,939	6,915	98,787
Travel	15,481	9,295	3,486	28,262
Interest	51,860	2,947	4,125	58,932
Total expenses before depreciation	2,976,626	119,706	213,494	3,309,826
Depreciation	38,523	2,189	3,064	43,776
Total expense	$ 3,015,149	$ 121,895	$ 216,558	$ 3,353,602

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 expense	$ 2,847,364	$ 163,280	$ 185,299	$ 3,195,943

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, 2014 or 2013.

Concentration of Economic Risk

The Organization is highly dependent on certain countries to source adoptions. During the year ended December 31, 2014 three countries accounted for 32%, 30% and 12% of adoption contracts. During the year ended December 31, 2013 three countries accounted for 36%, 35% and 22% of adoption contracts. 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 2014 and 2013 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, 2014 or 2013.

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, 2014 or 2013.

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.

Management has determined that the Organization has no uncertain tax positions as of December 31, 2014. The Organization's federal and state tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation 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.

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.

NOTE C – PROPERTY AND EQUIPMENT

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

	2014	2013
Land	$ 175,000	$ 175,000
Building and improvements	1,045,899	1,045,899
Furniture and equipment	630,398	619,315
	1,851,296	1,840,214
Less accumulated depreciation	(803,271)	(759,495)
	$ 1,048,025	$ 1,080,719

Depreciation expense was $43,776 and $46,054 for the years ended December 31, 2014 and 2013, 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 $89,551 and $92,321 outstanding under the terms of the line of credit as of December 31, 2014 and 2013, respectively.

NOTE E – LONG-TERM DEBT

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

	2014	2013
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.	$ 662,325	$ 681,897
Note payable to a private individual. The note requires two payments of $3,500 with zero interest and matures on April 1, 2015.	7,000	18,000
	669,325	699,897
Less amounts currently due	28,090	38,054
	$ 669,325	$ 661,843

NOTE E – LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

Year ending December 31,		
2015	$	28,090
2016		641,235
	$	669,325

NOTE F – LEASES

The Organization entered into a new office lease agreement beginning in March 2014. The lease requires monthly lease payments and expires February 28, 2017. Total rent expense was $25,075 under the terms of this office lease for the year ended December 31, 2014.

The Organization also leases office equipment under non-cancellable lease agreements that expire through various dates through June 2016. The Organization also leases an office under a month to month agreement. Total rent expense under these leases was $42,272 and $42,813 during the years ended December 31, 2014 and 2013, respectively.

Future minimum payments under the operating leases are as follows:

Year ending December 31,		
2015	$	54,450
2016		40,914
2017		4,455
	$	99,819

NOTE G – SUBLEASES

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. Total rental income was $47,575 during the year ended December 31, 2014.

Future minimum rentals on non-cancelable subleases are as follows:

Year ending December 31,		
2015	$	61,800
2016		63,654
2017		65,564
2018		67,530
	$	258,548

NOTE H – RELATED PARTY TRANSACTIONS

The Organization contracts with the founders' son to provide professional services. Total payments to the founders' son were $0 and $1,250 during the years ended December 31, 2014 and 2013, respectively.

NOTE I – 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 $11,993 and $10,833 were accrued for the years ended December 31, 2014 and 2013, respectively.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 17, 2015 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, 2014.