

AGAPE HOUSE OF PRESCOTT, INC

**Financial Statements
December 31, 2022**

With Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
and Management of
Agape House of Prescott, Inc.
Prescott, Arizona

We have reviewed the accompanying financial statements of Agape House of Prescott, Inc. (an Arizona nonprofit organization), which comprise the statement of financial position as of December 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to 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.

Accountants' 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.

We are required to be independent of Agape House of Prescott, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' 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.

Report on 2021 Financial Statements

The financial statements of Agape House of Prescott, Inc. as of December 31, 2021, were reviewed by other accountants whose report dated July 11, 2022, stated that, based on their review, except for the effect of the matter noted in the known departure from accounting principles generally accepted in the United States of America, they are not aware of any material modifications that should be made to the consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

JDS Professional Group
Certified Public Accountants, Consultants and Advisors, LLC

November 9, 2023

AGAPE HOUSE OF PRESCOTT, INC.
Statement of Financial Position
December 31, 2022

ASSETS		
Cash and cash equivalents	\$	953,397
Contributions and grants receivable		20,000
Prepaid expenses		19,297
Investments		8,553
Property and equipment, net		<u>885,186</u>
Total Assets	\$	<u><u>1,886,433</u></u>
LIABILITIES		
Accounts payable	\$	4,579
Accrued expenses		10,514
Note payable		<u>787,780</u>
Total Liabilities		<u>802,873</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated		511,736
Board designated		<u>391,546</u>
		903,282
Net assets with donor restrictions		<u>180,278</u>
Total Net Assets		<u>1,083,560</u>
Total Liabilities and Net Assets	\$	<u><u>1,886,433</u></u>

See independent accountants' review report and accompanying notes.

AGAPE HOUSE OF PRESCOTT, INC.

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 491,346	\$ 143,551	\$ 634,897
Grants	58,132	-	58,132
Fundraising income	26,927	-	26,927
Nonfinancial contributions	196,921	-	196,921
Investment income (loss), net	(1,786)	-	(1,786)
Other revenue	71,511	-	71,511
Net assets released from restrictions:			
Satisfaction of program restrictions	72,302	(72,302)	-
Total Revenues and Other Support	<u>915,353</u>	<u>71,249</u>	<u>986,602</u>
EXPENSES			
Program services	488,120	-	488,120
Supporting activities			
Management and general	119,416	-	119,416
Fundraising	68,003	-	68,003
Total Supporting Activities	<u>187,419</u>	<u>-</u>	<u>187,419</u>
Total Expenses	<u>675,539</u>	<u>-</u>	<u>675,539</u>
CHANGES IN NET ASSETS	239,814	71,249	311,063
NET ASSETS, BEGINNING OF YEAR	<u>663,468</u>	<u>109,029</u>	<u>772,497</u>
NET ASSETS, END OF YEAR	<u>\$ 903,282</u>	<u>\$ 180,278</u>	<u>\$ 1,083,560</u>

See independent accountants' review report and accompanying notes.

AGAPE HOUSE OF PRESCOTT, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Supporting Activities				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and wages	\$ 62,124	\$ 67,859	\$ 17,997	\$ 85,856	\$ 147,980
Payroll taxes	5,297	5,483	1,447	6,930	12,227
Payroll processing fees	1,117	1,034	10	1,044	2,161
Payroll and related	68,538	74,376	19,454	93,830	162,368
Advertising	10,722	171	4,040	4,211	14,933
Bank fees	-	5,558	-	5,558	5,558
Community relations	4,592	-	12,726	12,726	17,318
Depreciation	68,181	-	-	-	68,181
Dues and memberships	1,322	8,319	2,373	10,692	12,014
Family assistance	78,161	-	-	-	78,161
Insurance	5,124	8,682	401	9,083	14,207
Interest expense	9,077	882	-	882	9,959
Licenses and fees	301	32	563	595	896
Postage	2,065	1,933	1,921	3,854	5,919
Printing	9,645	695	2,906	3,601	13,246
Professional services	161,346	11,690	18,424	30,114	191,460
Rent	5,292	2,351	1,944	4,295	9,587
Repairs and maintenance	24,235	-	-	-	24,235
Staff/volunteer appreciation	5,539	16	447	463	6,002
Staff development	3,059	25	-	25	3,084
Supplies	20,731	2,861	1,839	4,700	25,431
Taxes-UBIT	-	50	-	50	50
Travel	7,558	-	965	965	8,523
Utilities	2,632	1,775	-	1,775	4,407
Total Expenses	\$ 488,120	\$ 119,416	\$ 68,003	\$ 187,419	\$ 675,539

See independent accountants' review report and accompanying notes.

AGAPE HOUSE OF PRESCOTT, INC.
Statement of Cash Flows
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 311,063
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	68,181
Investment (income) loss, net	1,988
Changes in assets and liabilities, net	
(Increase) decrease in assets:	
Contributions and grants receivable	(7,678)
Prepaid expenses	(7,584)
Security deposits	345
Increase (decrease) in liabilities:	
Accounts payable	(2,395)
Accrued expenses	5,066
	368,986
Net Cash Provided by Operating Activities	368,986
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(43,659)
Net Cash Used in Investing Activities	(43,659)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	(284,524)
Net Cash Used in Financing Activities	(284,524)
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,803
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	912,594
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 953,397

See independent accountants' review report and accompanying notes.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 1 - Description of Organization

The Agape House of Prescott, Inc. (the “Organization”) is a 501(c)(3) not-for-profit corporation formed in the State of Arizona in 2013. The Organization’s primary mission is to provide long-term transitional housing for families who are without a residence. The Organization is located in Prescott, Arizona.

The Organization funds its mission through public and private donations, rental activities, and other fundraising events.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which required lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The adoption did not impact the statement of financial position or the statement of activities for the year ended December 31, 2022.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates, and those differences could be material.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 2 – Summary Of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Contributions and Grants Receivable

Contributions and grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. It is the Organization's policy to charge off uncollectible contributions and grants receivable when management determines the receivable will not be collected. Accordingly, there is no allowance for doubtful accounts. This policy has been established by management based on historical experience, assessment of economic conditions, and review of subsequent collections. At December 31, 2022, all contributions and grants receivable are due within one year.

Investments and Fair Value Measurements

The Organization uses fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 2 – Summary Of Significant Accounting Policies (continued)

Investments and Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Board designated quasi-endowments:

Mutual funds: The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at their price. The mutual funds held by the Organization are considered to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, , accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturities of these financial instruments.

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Purchased property and equipment are recognized at cost in the period purchased. Property and equipment are depreciated using the straight-line method of depreciation over their estimated useful lives of five to thirty years. A capitalization limit of \$2,500 has been established by the Board of Directors. Donations of property and equipment are recognized as support at their estimated fair value at time of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions.

Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 2 – Summary Of Significant Accounting Policies (continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period on which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restrictions.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Fundraising revenue is recognized when an event occurs. Unrelated business income in the form of rent is recognized at a point in time when services are provided. Investment income is recognized when earned. Gains and losses on the disposal of assets are recorded at the time of sale or retirement of fixed assets. There are no contract assets or liabilities resulting from program service revenue at December 31, 2022.

Certain donated services, goods, and facilities that meet the criteria for recognition, are reflected in the financial statements at their estimated fair market value at the time of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenue from Contracts with Customers

A portion of the Organization's revenue is derived from resource provider contracts, which are conditioned upon certain performance requirements being provided by the Organization, including bed-nights for foster care and counseling services. Amounts are recorded as revenue when the Organization has provided the service in compliance with the specific contracts. Amounts for services provided prior to payment for those services are reported as accounts receivable.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 2 – Summary Of Significant Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

The following tables provide information about significant changes in the contract assets for the year ended December 31, 2022:

Grants receivable, beginning of the year	\$	12,322
Cash received during the year that was included in grants receivable at the beginning of the year		(12,322)
Increase in grants receivable due to services provided during the year		<u>20,000</u>
Grants receivable, end of the year	\$	<u>20,000</u>

Leases

The Organization determines if an arrangement is or contains a lease at inception. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Methods Use For Allocation of Expenses From Management And General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are directly identifiable, such as most salaries and wages, are charged directly to programs on the basis of periodic analysis and studies. Expenses such as employee benefits and payroll taxes are allocated based on salary allocations by department. Other program-related expenses, such as depreciation and occupancy are allocated based on property square footage by department. Administration expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. All other expenses are allocated on the basis of estimates of time and effort.

Subsequent Events

The Organization has performed an evaluation of subsequent events through the report date, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

NOTE 3 – Income Taxes

The Organization has been organized exclusively for charitable and educational purposes as defined under section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is exempt from federal and state income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

As of December 31, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. For the year ended December 31, 2022, the Organization has no federal obligation for any unrelated business income tax and state tax expense.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 3 – Income Taxes (continued)

The Organization files information returns with state and federal agencies. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return with the Internal Revenue Service and four years from the filing of a return with the Arizona Department of Revenue.

NOTE 4 - Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with financial institutions and limits the amount of credit exposure for any one financial institution.

Occasionally during the year, the balances in a financial institution may exceed the FDIC \$250,000 deposit insurance amount; that excess is uninsured. Management has placed these funds in high quality institutions in order to minimize the risk. As of December 31, 2022, the Organization's uninsured cash balances was \$374,963.

NOTE 5 – Fair Market Value Measurements

The following table presents the Organization's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Board designated quasi-endowment				
Mutual funds				
Moderate Allocation Fund	\$ 8,553	\$ -	\$ -	\$ 8,553
Investments at fair value	<u>\$ 8,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,553</u>

NOTE 6 - Property and Equipment

Property and equipment consist of the following at December 31, 2022:

Land	\$ 172,373
Buildings	677,627
Building improvements	109,687
Furniture and fixtures	3,268
Construction in progress	<u>8,103</u>
Total	971,058
Less accumulated depreciation	<u>(85,872)</u>
Total property and equipment	<u>\$ 885,186</u>

Depreciation expense for the year ended December 31, 2022 was \$68,181.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 7 – Note Payable

The Organization's obligations under note payable consist of the following:

November 16, 2021 note of \$972,000, variable interest rate based on the five-year U.S. Treasury Rate ranging from 2.99% to 3.16% with principal and interest payments ranging from \$3,625 to \$4,640 maturing November 16, 2041. Final balloon payment \$261,592. The loan is guaranteed by land and a building.	<u>\$ 787,780</u>
Total long-term note payable	<u>\$ 787,780</u>

Interest expense associated with the note payable for the year ended December 31, 2022 totaled \$9,080. Maturities of note payable for year ending December 31:

2023	\$ 27,444
2024	28,276
2025	29,133
2026	30,016
2027	30,926
Thereafter	<u>641,985</u>
Total	<u>\$ 787,780</u>

NOTE 8 – Board Designated Net Assets

Board designated net assets consist of the following as of December 31, 2022:

Board designated – building fund	\$382,993
Board designated – quasi-endowment	<u>8,553</u>
Total net assets without donor restrictions	<u>\$391,546</u>

The Organization's Quasi-Endowment Fund was established by action of the Board of Directors to be maintained in perpetuity. The quasi-endowment includes Board designated funds and may be utilized for either specific purposes or general operating use. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with Endowment Funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 9 – Net Assets With Donor Restrictions

Donor-restricted net asset activity for the year ended December 31, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Contributions and Grants</u>	<u>Releases</u>	<u>Ending Balance</u>
Capital Campaign/Building Fund	\$ 109,029	\$ 79,621	\$ 8,372	\$ 180,278
Renovations	-	18,000	18,000	-
Other	-	<u>45,930</u>	<u>45,930</u>	-
Total	<u>\$ 109,029</u>	<u>\$ 143,551</u>	<u>\$ 72,302</u>	<u>\$ 180,278</u>

NOTE 10 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Cash and cash equivalents	\$ 953,397
Contributions and grants receivable	20,000
Investments	<u>8,553</u>
Total financial assets at year-end	981,950
Less financial assets not available for general expenditure:	
Net assets with donor restrictions	(180,278)
Board designated – building fund	(382,993)
Board designated – quasi-endowment	<u>(8,553)</u>
Financial assets available to meet cash for general expenditures within one year	<u>\$ 410,126</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date and amounts designated by the board for a building fund and quasi-endowment fund.

NOTE 11 – Lease

The Organization leases its office space under a short-term lease agreement. Rent expense for the year ended December 31, 2022, was \$10,800.

AGAPE HOUSE OF PRESCOTT, INC.

Notes to Financial Statements
December 31, 2022

NOTE 12 – Contributions of Nonfinancial Assets

The Organization received gifts-in-kind for the years ended December 31, 2022 as follows:

Household items	\$	36,548
Drivers team services		11,389
Administrative services		16,813
Direct support team services		93,072
Renovations and landscaping services		22,417
Supplies		8,300
Rent		3,600
Other		<u>4,782</u>
	\$	<u>196,921</u>

During the fiscal year ended December 31, 2022, all gifts-in-kind were utilized to carry out the mission of the Organization. The gifts-in-kind were valued and reported at the estimated fair value in the financial statements based on the current rates for similar services.

All gifts-in-kind received by the Organization for the year ended December 31, 2022 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

NOTE 13 – Commitments and Contingencies

Contributions and grant awards are subject to agency review or audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with donor or grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at the date of these financial statements.