AGAPE HOUSE OF PRESCOTT, INC.

Financial Statements
December 31, 2023

With Independent Auditors' Report

JDS professional group
certified public accountants, consultants and advisors

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certified public accountants, consultants and advisors, LLC

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Agape House of Prescott, Inc. (an Arizona nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agape House of Prescott, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agape House of Prescott, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Agape House of Prescott, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agape House of Prescott, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agape House of Prescott, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

September 6, 2024

ASSETS		
Cash	$	769,502
Grants receivable		8,500
Prepaid expenses		15,731
Investments		9,836
Deposit		122,659
Cash restricted for capital campaign		91,605
Property and equipment, net		860,449
Total Assets	$	1,878,282
LIABILITIES		
Accounts payable	$	6,808
Accrued expenses		16,966
Note payable		592,089
Total Liabilities		615,863
NET ASSETS		
Net assets without donor restrictions		
Undesignated		768,485
Board designated		392,829
		1,161,314
Net assets with donor restrictions		101,105
Total Net Assets		1,262,419
Total Liabilities and Net Assets	$	1,878,282

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	$ 478,617	$ 195,755	$ 674,372
Special events	53,244	-	53,244
Contributions of nonfinancial assets	74,513	-	74,513
Investment income, net	1,283	-	1,283
Other revenue	25,036	-	25,036
Net assets released from restrictions:			
Released from purpose restrictions	274,928	(274,928)	-
Total Support and Revenue	907,621	(79,173)	828,448
EXPENSES			
Program services	459,677	-	459,677
Supporting services			
Management and general	120,255	-	120,255
Fundraising	69,657	-	69,657
Total Supporting Services	189,912	-	189,912
Total Expenses	649,589	-	649,589
CHANGES IN NET ASSETS	258,032	(79,173)	178,859
NET ASSETS, BEGINNING OF YEAR	903,282	180,278	1,083,560
NET ASSETS, END OF YEAR	$ 1,161,314	$ 101,105	$ 1,262,419

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 82,853	$ 74,223	$ 15,535	$ 172,612
Payroll taxes	6,817	6,107	1,278	14,202
Payroll and related	89,670	80,330	16,813	186,813
Advertising	5,893	-	1,963	7,856
Bank fees	-	7,204	-	7,204
Community relations	-	-	19,869	19,869
Depreciation	30,538	-	-	30,538
Dues and memberships	10,043	1,255	1,255	12,553
Family assistance	69,399	-	-	69,399
Boots and blessings	9,173	-	6,115	15,288
Insurance	12,131	4,791	342	17,264
Interest expense	22,856	-	-	22,856
Licenses and fees	1,830	229	229	2,288
Payroll processing fees	-	953	-	953
Postage	5,822	-	1,455	7,277
Printing	15,966	2,281	4,562	22,809
Professional services	116,214	6,923	7,121	130,258
Rent	11,891	1,487	1,487	14,865
Repairs and maintenance	20,038	-	-	20,038
Staff/volunteer appreciation	2,574	143	143	2,860
Staff development	2,883	28	-	2,911
Supplies	20,672	13,922	7,594	42,188
Travel	6,416	-	-	6,416
Utilities	5,668	709	709	7,086
Total Expenses	$ 459,677	$ 120,255	$ 69,657	$ 649,589

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ 178,859
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	30,538
Investment income, net	(1,283)
Changes in assets and liabilities:	
Grants receivable	11,500
Prepaid expenses	3,566
Deposit	(122,659)
Accounts payable	2,229
Accrued expenses	6,452
Net Cash Provided by Operating Activities	109,202
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(5,801)
Net Cash Used in Investing Activities	(5,801)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	(195,691)
Net Cash Used in Financing Activities	(195,691)
NET DECREASE IN CASH	(92,290)
CASH, BEGINNING OF YEAR	953,397
CASH, END OF YEAR	$ 861,107

Reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statement of cash flows:

Cash	769,502
Cash restricted for capital campaign	91,605
	$ 861,107

NOTE 1 – Description of Organization

The Agape House of Prescott, Inc. (the "Organization") is a 501(c)(3) nonprofit 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 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.

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.

Cash

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.

Cash Restricted To Capital Campaign

Cash restricted to capital campaign has been restricted by donors and is not available for operating purposes.

Statement of Cash Flows – Supplemental Disclosures

Cash paid for interest was $22,775 for the year ended December 31, 2023.

Grants Receivable

Grants receivable consist of amounts invoiced and are presented net of an allowance for bad debts, which is an estimate of amounts that may not be collectible. It is the Organization’s policy to charge off uncollectible 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. As of December 31, 2023, grants receivable totaled $8,500.

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.

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

> *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.

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.

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.

Payments under cost-reimbursable grants 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.

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.

Leases

The Organization determines if an arrangement is or contains a lease at inception. The Organization does not report right-of-use (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 salaries and wages and related payroll taxes, supplies are charged directly to programs on the basis of time and effort. 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. The expenses that are allocated include dues and memberships, insurance, licenses and fees, printing, professional services, rent, staff/volunteer appreciation, and utilities, allocated based on hourly usage of the office.

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, 2023, 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, 2023, the Organization has no federal obligation for any unrelated business income tax and state tax expense.

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 of Credit Risk

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, 2023, the Organization's uninsured cash balances was $396,892.

NOTE 5 – Investments

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, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Moderate Allocation Fund	$ 9,836	$ -	$ -	$ 9,836
Investments at fair value	$ 9,836	$ -	$ -	$ 9,836

NOTE 6 – Property and Equipment

Property and equipment consist of the following at December 31, 2023:

Land	$172,373
Buildings	677,627
Building improvements	123,203
Furniture and fixtures	3,656
Total	976,859
Less accumulated depreciation	(116,410)
Total property and equipment	$ 860,449

Depreciation expense for the year ended December 31, 2023 was $30,538.

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.	$ 592,089

Interest expense associated with the note payable for the year ended December 31, 2023 totaled $22,856.

Maturities of note payable for year ending December 31:

2024	$ 28,276
2025	29,133
2026	30,016
2027	30,926
2028	31,863
Thereafter	441,875
Total	$ 592,089

NOTE 8 – Board Designated Net Assets

Board designated net assets consist of the following as of December 31, 2023:

Board designated – building fund	$382,993
Board designated – quasi-endowment	9,836
Total net assets without donor restrictions	$392,829

The quasi-endowment includes Board designated funds and may be utilized for either specific purposes or general operating use.

NOTE 9 – Net Assets With Donor Restrictions

Donor-restricted net asset activity during the year ended December 31, 2023, was as follows:

	Beginning Balance	Contributions and Grants	Releases	Ending Balance
Capital Campaign/Building Fund	$ 180,258	$ 176,175	$ (264,828)	$ 91,605
Other	20	19,580	(10,100)	9,500
Total	$ 180,278	$ 195,755	$ (274,928)	$ 101,105

NOTE 10 – Contributions of Nonfinancial Assets

The Organization received gifts-in-kind for the year ended December 31, 2023, as follows:

Household items	$ 1,278
Professional services	47,387
Vehicle	7,204
Toys	5,621
Gift cards to residents	882
Renovations and landscaping services	15
Office supplies	3,734
Rent	7,389
Jewelry	150
Books	328
Other	525
	$ 74,513

All donated rent, goods and services were utilized by the Organization's programs and supporting services.

During the year ended December 31, 2023, 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 rent, goods, or services.

All gifts-in-kind received by the Organization for the year ended December 31, 2023, were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

NOTE 11 – Donated Rent

On October 1, 2023, the Organization received in-kind donated rent under a sublease agreement for a term of thirty four (34) years expiring on October 1, 2057, with a rent of $1 per year. The lease is cancellable by either party by giving at least three hundred sixty five (365) days advanced written notice and requires annual review by both parties for continuation. Because the continuation of the lease, and therefore the continued receipt of donated rent, is contingent upon annual review and can be cancelled by either party, the promise to give will not be recorded. The estimated fair value of donated rent is based on recent comparable prices in the Prescott, Arizona market which totaled $3,789 and is included in nonfinancial contribution in the statement of activities and rent expense in the statement of functional expenses during the year ended December 31, 2023.

NOTE 12 – Lease

The Organization leases its office space under a short-term lease agreement. Rent expense for the year ended December 31, 2023, was $11,075.

NOTE 13 – 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, 2023, comprise the following:

Cash	$ 769,502
Grants receivable	8,500
Investments	9,836
Total financial assets at year-end	787,838
Less financial assets not available for general expenditure:	
Board designated – building fund	(382,993)
Board designated – quasi-endowment	(9,836)
	(392,829)
Financial assets available to meet cash for general expenditures within one year	$ 395,009

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 14 – 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.