ALL GOD'S CHILDREN INTERNATIONAL

Financial Statements

For the Years Ended December 31, 2016 and 2015

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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, 2016 and December 31, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Richard Winkel, CPA
PO Box 91637
Portland, OR 97291

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All God's Children International as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

Portland, Oregon
June 21, 2017

ALL GOD’S CHILDREN INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,083,109	$ 546,345
Accounts receivable	109,761	122,508
Other current assets	9,350	14,378
Total current assets	1,202,220	683,231
Property and equipment, net of depreciation	26,099	1,017,921
Total assets	$ 1,228,319	$ 1,701,152
LIABILITIES AND NET ASSETS		
Line of credit	$ 78,157	$ 85,319
Current portion of long-term debt	-	27,769
Accounts payable	87,989	162,801
Accrued payroll	31,186	22,221
Accrued vacation	7,035	23,045
Client deposits	153,750	112,066
Security deposits	5,628	20,683
Total current liabilities	363,745	453,904
Long-term debt, net of current portion	-	612,985
Total liabilities	363,745	1,066,889
NET ASSETS		
Unrestricted	864,574	634,263
Total net assets	864,574	634,263
Total liabilities and net assets	$ 1,228,319	$ 1,701,152

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, 2016 and 2015

	2016	2015
Revenues:		
Contract fees, net of refunds	$ 2,783,790	$ 2,136,256
Contributions and grants	1,423,211	1,305,553
Rental income	59,514	61,500
Loss on disposal of capital assets	(13,707)	-
Interest and other income	1,833	40
Total revenues	4,254,641	3,503,349
Expenses:		
Program services	3,497,810	2,970,457
Management and general	131,344	78,167
Fundraising	395,176	230,488
Total expenses	4,024,330	3,279,112
Change in net assets	230,311	224,237
Net assets, beginning of year	634,263	410,026
Net assets, end of year	$ 864,574	$ 634,263

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, 2016 and 2015

	2016	2015
Increase (Decrease) in Cash and Cash Equivalents		
Change in net assets	$ 230,311	$ 224,237
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	6,681	42,208
Loss on assets sale and disposals	13,707	-
Change in assets and liabilities:		
Accounts receivable	12,747	(6,723)
Inventory	-	3,648
Other current assets	5,028	(5,575)
Accounts payable	(74,812)	(3,127)
Accrued payroll	8,965	9,694
Accrued vacation	(16,010)	(3,591)
Security deposits	41,684	15,058
Customer deposits	(15,055)	9,067
Net cash provided by operating activities	213,246	284,896
Cash flows from investing activities:		
Purchase of property and equipment	(11,363)	(12,104)
Proceeds from sales of capital assets	351,715	-
Net cash provided by (used in) investing activities	340,352	(12,104)
Cash flows from financing activities:		
Draws on line of credit	1,456	10,138
Payments on line of credit	(8,618)	(14,370)
Principal payments on long-term debt	(9,672)	(28,571)
Net cash used in financing activities	(16,834)	(32,803)
Net change in cash and cash equivalents	536,764	239,989
Cash and cash equivalents, beginning of year	546,345	306,356
Cash and cash equivalents, end of year	$ 1,083,109	$ 546,345

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, 2016 and 2015

	2016	2015
Supplemental schedule of non-cash investing and financing activities:		
Long-term debt paid off with proceeds from sale of fixed assets	$ 631,082	-
Cash paid for interest	$ 27,929	$ 57,333

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, 2016

	Program Services	Management and General	Fundraising	Total
Orphan care	$ 561,867	$ -	$ -	$ 561,867
Adoption costs	928,714	-	-	928,714
Mission trips	48,790	-	-	48,790
Salaries and wages	932,071	40,388	119,088	1,091,547
Employee benefits	71,068	3,186	12,184	86,438
Payroll taxes	88,955	3,988	15,250	108,193
Administration	241,311	61,973	31,990	335,274
Development and marketing	330,048	2,570	175,148	507,766
Professional fees	103,996	4,662	17,829	126,487
Occupancy	89,372	4,007	15,322	108,701
Travel	73,162	9,295	3,486	85,943
Interest	22,963	1,029	3,937	27,929
Total expenses before depreciation	3,492,317	131,098	394,234	4,017,649
Depreciation	5,493	246	942	6,681
Total expense	$ 3,497,810	$ 131,344	$ 395,176	$ 4,024,330

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, 2015

	Program Services	Management and General	Fundraising	Total
Orphan care	$ 376,497	$ -	$ -	$ 376,497
Adoption costs	764,950	-	-	764,950
Mission trips	25,043	-	-	25,043
Salaries and wages	809,829	35,090	103,469	948,388
Employee benefits	69,142	2,996	8,834	80,972
Payroll taxes	57,782	2,504	7,383	67,669
Administration	264,296	11,452	33,768	309,516
Development and marketing	316,796	13,727	40,476	370,999
Professional fees	37,488	1,624	4,790	43,902
Occupancy	83,556	3,621	10,676	97,853
Travel	80,081	3,470	10,232	93,783
Interest	48,956	2,121	6,255	57,332
Total expenses before depreciation	2,934,416	76,605	225,883	3,236,904
Depreciation	36,041	1,562	4,605	42,208
Total expense	$ 2,970,457	$ 78,167	$ 230,488	$ 3,279,112

The accompanying notes are an integral part to 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. The Organization is funded through contract fees for adoption services and contributions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The financial statements of the Organization have been prepared 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, 2016 or 2015.

Concentration of Economic Risk

The Organization is highly dependent on certain countries to source adoptions. During the year ended December 31, 2016 two countries accounted for 30% and 25% of completed adoptions. During the year ended December 31, 2015 two countries accounted for 46% and 31% 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 2016 and 2015 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. The Organization had $550,517 and $296,345 in cash exceeding FDIC insurance at December 31, 2016 and 2015, respectively.

Revenues

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

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

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

Receivables

Receivables are recognized when the service is provided. The Organization uses the allowance method to account for uncollectible accounts. Receivables are considered to be impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Substantially all balances are collected when the service is provided; therefore, management has determined that the risk of loss to the Organization for uncollectible balances is not significant and no allowance was deemed necessary at December 31, 2016 or 2015.

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. The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

Expense Allocation

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

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:

	2016	2015
Land	$ -	$ 175,000
Building and improvements	-	1,045,899
Furniture and equipment	40,221	642,501
	40,221	1,863,400
Less accumulated depreciation	(14,122)	(845,479)
	$ 26,099	$ 1,017,921

Depreciation expense was $6,681 and $42,208 for the years ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2016, the Organization sold their headquarters facility and most of their furniture and office equipment for $1,050,000. Proceeds from this sale were used to pay off the related long-term debt.

NOTE D – LINE OF CREDIT

The Organization has a line of credit with a bank granting borrowings up to $100,000. The line of credit accrues interest at a blended rate of 10.5% per annum. AGCI had $78,157 and $85,319 outstanding under the terms of the line of credit as of December 31, 2016 and 2015, respectively.

NOTE E – LONG-TERM DEBT

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

	2016	2015
Note payable to a bank in monthly installments of $4,502 including interest at 4.18% per annum with a balloon payment due August 5, 2020. The note is secured by the headquarters facility.	$ -	$ 640,754
	-	640,754
Less amounts currently due	-	27,769
	$ -	$ 612,985

During the year ended December 31, 2016, the Organization sold the headquarters facility and paid off the loan with the proceeds.

NOTE F – LEASES

The Organization leased office space under an operating lease agreement that expires in March 2017. In March 2016, the Organization terminated the office lease and paid a one-time fee of $10,000. The Organization rents office space from Northwest Community Ministries on a month to month basis and is not charged rent. The Organization has recorded an in-kind donation of $33,300 for the year ended December 31, 2016.

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

Total office rent expense was $51,232 and $29,142 for the years ended December 31, 2016 and 2015, respectively.

Future minimum payments under the operating leases are as follows:

Year ending December 31,		
2017	$	7,458
2018		7,458
2019		7,458
2020		7,458
Thereafter		1,243
	$	31,075

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. During 2016, the Organization sold their building and negotiated the release of this sublease agreement. Sublease income was $26,214 and $61,500 for the years ended December 31, 2016 and 2015, respectively.

NOTE G– EMPLOYEE BENEFIT PLANS

The Organization has a 401(k) plan covering substantially all employees of the Organization. Participants may elect to defer a portion of their salary up to the maximum percentage allowable by the Internal Revenue Code. The Organization makes a matching contribution to the plan up to 4% of participant's earnings. Employer contributions of $19,197 and $13,471 were accrued for the years ended December 31, 2016 and 2015, respectively.

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 21, 2017 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, 2016.