

**Agape Flights, Inc.**  
**Financial Statements**  
September 30, 2016

# CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>               | -           |
| <b>FINANCIAL STATEMENTS:</b>                      |             |
| Statement of Financial Position                   | 1           |
| Statement of Activities and Changes in Net Assets | 2           |
| Statement of Functional Expenses                  | 3           |
| Statement of Cash Flows                           | 4           |
| Notes to Financial Statements                     | 5-14        |



**CAVANAUGH & CO, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Agape Flights, Inc.

We have audited the accompanying financial statements of Agape Flights, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

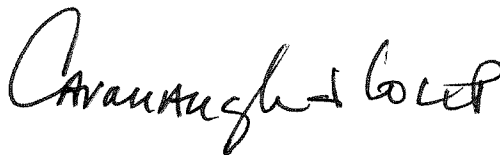
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agape Flights, Inc. as of September 30, 2016 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.

**Report on Summarized Comparative Information**

We have previously audited Agape Flights, Inc.'s 2015 financial statements, and our report dated January 6, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida  
February 9, 2017

A handwritten signature in black ink, appearing to read "Charaugh & Co. CPAs". The signature is written in a cursive, flowing style.

**Agape Flights, Inc.**

**Statement of Financial Position**

September 30, 2016

|                                      | <b>ASSETS</b>           |                           |                           |                      | 2015<br>(For Comparative<br>Purposes Only) |
|--------------------------------------|-------------------------|---------------------------|---------------------------|----------------------|--|
|                                      | 2016                    |                           |                           | Total                |  |
|                                      | Unrestricted            | Temporarily<br>Restricted | Permanently<br>Restricted |                      |  |
| Current assets:                      |                         |                           |                           |                      |  |
| Cash and cash equivalents            | \$ 327,411              | 59,116                    | -                         | 386,527              | 204,695                                    |
| Accounts receivable                  | 30,578                  | -                         | -                         | 30,578               | 55,851                                     |
| Inventory                            | 4,812                   | -                         | -                         | 4,812                | 12,875                                     |
| Prepaid expenses                     | 17,418                  | -                         | -                         | 17,418               | 18,783                                     |
| Due from (to) permanently restricted | -                       | 32,704                    | (32,704)                  | -                    | -  |
| Total current assets                 | <u>380,219</u>          | <u>91,820</u>             | <u>(32,704)</u>           | <u>439,335</u>       | <u>292,204</u>                             |
| Property and equipment, net          | 968,139                 | -                         | -                         | 968,139              | 1,027,940                                  |
| Investments                          | <u>27,024</u>           | <u>-</u>                  | <u>792,340</u>            | <u>819,364</u>       | <u>775,108</u>                             |
| <br>Total assets                     | <br><u>\$ 1,375,382</u> | <br><u>91,820</u>         | <br><u>759,636</u>        | <br><u>2,226,838</u> | <br><u>2,095,252</u>                       |

**LIABILITIES AND NET ASSETS**

|                                      |                         |                   |                    |                      |                      |
|--------------------------------------|-------------------------|-------------------|--------------------|----------------------|----------------------|
| Current liabilities:                 |                         |                   |                    |                      |                      |
| Accounts payable                     | \$ 25,339               | -                 | -                  | 25,339               | 28,074               |
| Accrued expenses                     | 25,081                  | -                 | -                  | 25,081               | 18,696               |
| Deferred revenue                     | <u>29,326</u>           | <u>-</u>          | <u>-</u>           | <u>29,326</u>        | <u>29,826</u>        |
| Total current liabilities            | 79,746                  | -                 | -                  | 79,746               | 76,596               |
| Net assets                           |                         |                   |                    |                      |                      |
| Unrestricted - undesignated          | (31,520)                | -                 | -                  | (31,520)             | (26,996)             |
| Board designated:                    |                         |                   |                    |                      |                      |
| Investment in                        |                         |                   |                    |                      |                      |
| property and equipment               | 968,139                 | -                 | -                  | 968,139              | 1,027,940            |
| Major maintenance                    | 359,017                 | -                 | -                  | 359,017              | 243,330              |
| Temporarily restricted               | -                       | 91,820            | -                  | 91,820               | 14,996               |
| Permanently restricted               | <u>-</u>                | <u>-</u>          | <u>759,636</u>     | <u>759,636</u>       | <u>759,386</u>       |
| Total net assets                     | <u>1,295,636</u>        | <u>91,820</u>     | <u>759,636</u>     | <u>2,147,092</u>     | <u>2,018,656</u>     |
| <br>Total liabilities and net assets | <br><u>\$ 1,375,382</u> | <br><u>91,820</u> | <br><u>759,636</u> | <br><u>2,226,838</u> | <br><u>2,095,252</u> |

See accompanying notes to financial statements.

**Agape Flights, Inc.**

**Statement of Activities and Changes in Net Assets**  
Year Ended September 30, 2016

|  | 2016                |                           |                           | Total            | 2015                               |
|--|---------------------|---------------------------|---------------------------|------------------|------------------------------------|
|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted |                  | (For Comparative<br>Purposes Only) |
| <b>Revenues and support:</b>           |                     |                           |                           |                  |                                    |
| Revenues:                              |                     |                           |                           |                  |                                    |
| Cargo fees                             | \$ 292,303          | -                         | -                         | 292,303          | 274,660                            |
| Subscriptions                          | 34,550              | -                         | -                         | 34,550           | 36,202                             |
| Investment income (loss)               | 2,225               | 48,203                    | -                         | 50,428           | (28,046)                           |
| Interest income                        | 83                  | -                         | -                         | 83               | 82                                 |
| Other                                  | 1,475               | -                         | -                         | 1,475            | 4,504                              |
| Total revenues                         | <u>330,636</u>      | <u>48,203</u>             | <u>-</u>                  | <u>378,839</u>   | <u>287,402</u>                     |
| Support:                               |                     |                           |                           |                  |                                    |
| Contributions                          | 619,143             | 162,411                   | 250                       | 781,804          | 701,154                            |
| Noncash donations                      | 2,420               | -                         | -                         | 2,420            | 6,165                              |
| In-kind contributions                  |                     |                           |                           |                  |                                    |
| Services                               | 167,438             | -                         | -                         | 167,438          | 157,066                            |
| Total support                          | <u>789,001</u>      | <u>162,411</u>            | <u>250</u>                | <u>951,662</u>   | <u>864,385</u>                     |
| Net assets released from restrictions: |                     |                           |                           |                  |                                    |
| Satisfaction of program restrictions   | 133,790             | (133,790)                 | -                         | -                | -                                  |
| Total revenues and support             | <u>1,253,427</u>    | <u>76,824</u>             | <u>250</u>                | <u>1,330,501</u> | <u>1,151,787</u>                   |
| <b>Expenses:</b>                       |                     |                           |                           |                  |                                    |
| Program services                       | 919,301             | -                         | -                         | 919,301          | 1,095,739                          |
| General and administrative             | 122,310             | -                         | -                         | 122,310          | 121,270                            |
| Fundraising                            | 160,454             | -                         | -                         | 160,454          | 141,458                            |
| Total expenses                         | <u>1,202,065</u>    | <u>-</u>                  | <u>-</u>                  | <u>1,202,065</u> | <u>1,358,467</u>                   |
| Change in net assets                   | <u>51,362</u>       | <u>76,824</u>             | <u>250</u>                | <u>128,436</u>   | <u>(206,680)</u>                   |
| Net assets - beginning of year         | <u>1,244,274</u>    | <u>14,996</u>             | <u>759,386</u>            | <u>2,018,656</u> | <u>2,225,336</u>                   |
| Net assets - end of year               | <u>\$ 1,295,636</u> | <u>91,820</u>             | <u>759,636</u>            | <u>2,147,092</u> | <u>2,018,656</u>                   |

See accompanying notes to financial statements.

## Agape Flights, Inc.

### Statement of Functional Expenses Year Ended September 30, 2016

|                                       | 2016                     |                               |                       | Total                   | 2015                               |
|---------------------------------------|--------------------------|-------------------------------|-----------------------|-------------------------|------------------------------------|
|                                       | Program<br>Services      | General and<br>Administrative | Fund<br>Raising       |                         | (For Comparative<br>Purposes Only) |
| Airplane repairs                      | \$ 41,097                | -                             | -                     | 41,097                  | 249,261                            |
| Cargo expenses                        | 205,263                  | -                             | -                     | 205,263                 | 231,602                            |
| Bank charges                          | 11,355                   | 855                           | -                     | 12,210                  | 10,181                             |
| Professional services                 | 7,897                    | 6,661                         | 413                   | 14,971                  | 13,619                             |
| Investment management fees            | -                        | 6,422                         | -                     | 6,422                   | -                                  |
| Insurance                             | 25,003                   | 2,778                         | -                     | 27,781                  | 27,125                             |
| Depreciation                          | 55,507                   | 6,380                         | 1,914                 | 63,801                  | 64,310                             |
| Development                           | 9,850                    | 3,939                         | 25,609                | 39,398                  | 41,343                             |
| Facilities repairs and<br>maintenance | 40,954                   | 158                           | -                     | 41,112                  | 3,962                              |
| Office                                | 12,221                   | 4,700                         | 1,880                 | 18,801                  | 25,717                             |
| Rent                                  | 20,790                   | 2,310                         | -                     | 23,100                  | 30,151                             |
| Utilities                             | 16,410                   | 1,823                         | -                     | 18,233                  | 16,456                             |
| Payroll                               | 261,035                  | 50,395                        | 121,783               | 433,213                 | 402,114                            |
| Employee benefits                     | 14,340                   | 1,649                         | 4,040                 | 20,029                  | 18,513                             |
| Staff expenses                        | 1,759                    | 7,049                         | 251                   | 9,059                   | 9,866                              |
| Travel                                | 4,473                    | 91                            | 4,564                 | 9,128                   | 8,469                              |
| Missionary support                    | 51,017                   | -                             | -                     | 51,017                  | 48,712                             |
| In-kind contributions<br>Services     | <u>140,330</u>           | <u>27,100</u>                 | <u>-</u>              | <u>167,430</u>          | <u>157,066</u>                     |
| <b>Total expenses</b>                 | <b><u>\$ 919,301</u></b> | <b><u>122,310</u></b>         | <b><u>160,454</u></b> | <b><u>1,202,065</u></b> | <b><u>1,358,467</u></b>            |

See accompanying notes to financial statements.

**Agape Flights, Inc.**

**Statement of Cash Flows**  
Year Ended September 30, 2016

|   | 2016       | 2015<br>(For Comparative<br>Purposes Only) |
|---|------------|--|
| <b>Cash flows from operating activities:</b>  |            |  |
| Change in net assets  | \$ 128,436 | (206,680)                                  |
| Adjustments to reconcile change<br>in net assets to net cash flows<br>from operating activities |            |  |
| Depreciation  | 63,801     | 64,310                                     |
| Investment (income) loss  | (44,006)   | 28,046                                     |
| (Increase) decrease in:   |            |  |
| Accounts receivable   | 25,273     | (20,600)                                   |
| Inventory   | 8,063      | 4,366                                      |
| Prepaid expenses  | 1,365      | 2,142                                      |
| Increase (decrease) in:   |            |  |
| Accounts payable  | (2,735)    | (7,080)                                    |
| Accrued expenses  | 6,385      | (2,844)                                    |
| Deferred revenue  | (500)      | (2,162)                                    |
| Total adjustments   | 57,646     | 66,178                                     |
| Net cash flows from operating activities  | 186,082    | (140,502)                                  |
| <b>Cash flows from investing activities:</b>  |            |  |
| Purchase of investments   | (250)      | (7,666)                                    |
| Purchase of equipment   | (4,000)    | -  |
| Net cash flows from investing activities  | (4,250)    | (7,666)                                    |
| Net increase (decrease) in cash and<br>cash equivalents   | 181,832    | (148,168)                                  |
| Cash and cash equivalents, beginning  | 204,695    | 352,863                                    |
| Cash and cash equivalents, ending   | \$ 386,527 | 204,695                                    |

See accompanying notes to financial statements.



## Agape Flights, Inc.

### Notes to the Financial Statements September 30, 2016

#### **Note 1 – Organization and Summary of Significant Accounting Policies:**

##### Organization

Agape Flights, Inc. (“the Organization”) is a Florida not-for-profit corporation whose mission as a Christian aviation ministry is to provide excellent aviation service delivering cargo, mail and humanitarian aid to missionary partners serving Christ, carrying hope to the nations of the Caribbean. The Organization operates one cargo airplane and primarily services Haiti and the Dominican Republic. The Organization owns hangar facilities in Venice, Florida, which serve as its headquarters, mail depot and aircraft storage and repair facility. The land for this facility is leased from the City of Venice. The Organization’s primary revenue sources are cargo fees from the missionaries it serves and donations received from churches, other religious organizations, and the general public.

##### Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards *Financial Statements of Not-for-Profit Organizations (FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets restricted by donor to be maintained permanently by the Organization.

##### Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

## Agape Flights, Inc.

### Notes to the Financial Statements

September 30, 2016

#### **Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

##### Investments

Investments in securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized gains are reported as increases in unrestricted net assets unless restricted by a donor.

##### Receivables

The Organization records receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. Management considers all receivables to be collectible, therefore there is no allowance for uncollectible accounts.

##### Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of spare parts for the cargo plane.

##### Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 restricted contributions. Absent donor stipulations regarding how long those donated 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 reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years.

##### Deferred Revenue

The Organization receives subscription income from its participating missionaries, which is due on August 31 of each year. Prorated dues were billed and much of the Organization's subscription income for the twelve-month period ending August 31, 2016 was received prior to September 30, 2016. Accordingly, deferred revenue of \$29,326 for the period October 1, 2015 through August 31, 2016 is included in current liabilities at September 30, 2016.

## Agape Flights, Inc.

### Notes to the Financial Statements

September 30, 2016

#### **Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

##### Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). For the year ended September 30, 2016, there was no unrelated business income.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the year ended September 30, 2016. The Organization's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

##### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

##### Airplane Maintenance and Overhaul

The cost of line maintenance and other routine repairs, whether performed by the Organization or outsourced to a third-party provider, is expensed as incurred. For planned major maintenance activities performed under established programs for regulatory compliance, the Organization expenses all maintenance costs in the period incurred because maintenance activities do not represent separately identifiable assets or property units in and of themselves; rather, they serve only to restore assets to their original operating condition.

##### Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services meeting these criteria are recognized as contributions by the Organization.

**Agape Flights, Inc.**

**Notes to the Financial Statements**

September 30, 2016

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

**Expense Allocation**

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

**Note 2 – Property and Equipment:**

Property and equipment consists of the following at September 30, 2016:

|                               |                   |
|-------------------------------|-------------------|
| Airplane                      | \$ 385,217        |
| Buildings                     | 1,089,371         |
| Hangar and office equipment   | 34,316            |
| Airplane equipment            | <u>131,495</u>    |
| Total property and equipment  | 1,640,399         |
| Less accumulated depreciation | <u>(672,260)</u>  |
| Property and equipment, net   | <u>\$ 968,139</u> |

**Note 3 – Uninsured Cash Balances:**

The Organization maintains its cash balances at financial institutions located in Sarasota County, Florida. The accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer as of September 30, 2016. There were no deposits in excess of FDIC insurance limits on September 30, 2016.

**Agape Flights, Inc.**

**Notes to the Financial Statements**  
September 30, 2016

**Note 4 – In-kind Contributions:**

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donations. The fair market values of these donated services for the year ended September 30, 2016 have been reflected in the statements as follows:

|                                 |                   |
|---------------------------------|-------------------|
| <u>Services</u>                 |                   |
| Finance                         | \$ 27,100         |
| Aircraft repair and maintenance | 86,400            |
| Pilots                          | 52,954            |
| Other services                  | <u>984</u>        |
| Total                           | <u>\$ 167,438</u> |

**Note 5 – Unrestricted Net Assets, Board Designated:**

The Organization is designating a portion of unrestricted net assets for the cost of future engine and airplane overhaul expenses required after a specific number of hours used. The amount designated by the Board of Directors is increased each year based on the number of flight hours logged during the year and is decreased when the repairs are made.

The Board of Directors has designated a portion of its net assets as invested in property and equipment.

At September 30, 2016, Unrestricted Net Assets, Board Designated, consisted of the following:

|                                      |                   |
|--------------------------------------|-------------------|
| Investment in property and equipment | <u>\$ 968,139</u> |
| Embraer engine overhaul              | \$ 350,264        |
| Embraer overhaul                     | <u>8,753</u>      |
| Total                                | <u>\$ 359,017</u> |

**Note 6 – Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

|  |                  |
|--|------------------|
| Thanksgiving project                       | \$ 27,779        |
| Engine repair                              | 19,433           |
| Small projects                             | 11,904           |
| Accumulated endowment investment<br>income | <u>32,704</u>    |
| Total                                      | <u>\$ 91,820</u> |

**Agape Flights, Inc.**

**Notes to the Financial Statements**

September 30, 2016

**Note 7 – Permanently Restricted Net Assets:**

Permanently restricted net assets consist of endowment fund assets that are to be held indefinitely. The income earned on the endowments may be used at the discretion of the Board of Directors for the benefit of Agape Flights, Inc.

**Note 8 – Operating Leases:**

The Organization leases land from the City of Venice, Florida, which expires February 20, 2024. Terms of the lease call for a monthly payment of \$1,927. The City of Venice adjusts the rental annually based on the Consumer Price Index. Future minimum payments under this lease at current lease terms are as follows:

|                         |           |
|-------------------------|-----------|
| 2017                    | \$ 23,124 |
| 2018                    | 23,124    |
| 2019                    | 23,124    |
| 2020                    | 23,124    |
| 2022                    | 23,124    |
| Thereafter through 2024 | 32,759    |

**Note 9 – Investments:**

The components of investments at September 30, 2016, are summarized as follows:

|                                    | <u>Cost</u>       | <u>Fair Value</u> | <u>Accumulated Unrealized Gain (Loss)</u> |
|------------------------------------|-------------------|-------------------|---|
| Cash                               | \$ 45,981         | 45,981            | -   |
| Equities                           | 460,885           | 473,444           | 12,559                                    |
| Fixed income                       | 270,378           | 272,915           | 2,537                                     |
| Investment in Community Foundation | <u>14,644</u>     | <u>27,024</u>     | <u>12,380</u>                             |
| Total Investments                  | <u>\$ 791,888</u> | <u>819,364</u>    | <u>27,476</u>                             |

Net investment loss for the year ended September 30, 2016 consists of the following:

|   |                  |
|---|------------------|
| Change in value of investment in community foundation | \$ 2,225         |
| Interest and dividends                                | 22,855           |
| Realized and unrealized gains                         | <u>25,348</u>    |
| Total investment income                               | 50,428           |
| Investment fees and expenses                          | <u>(6,422)</u>   |
| Net investment income                                 | <u>\$ 44,006</u> |

**Agape Flights, Inc.**

**Notes to the Financial Statements**  
September 30, 2016

**Note 10 – Endowments:**

The Organization's endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The Investment policies of the Foundation.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. There were no deficiencies as of September 30, 2016.

As of September 30, 2016, endowment net assets consisted of the following:

|                                  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>   |
|----------------------------------|-----------------------------------|-----------------------------------|----------------|
| Donor-restricted endowment funds | <u>\$ 32,704</u>                  | <u>759,636</u>                    | <u>792,340</u> |

## Agape Flights, Inc.

### Notes to the Financial Statements

September 30, 2016

#### Note 10 – Endowments – Continued:

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

|  | Temporarily<br><u>Restricted</u> | Permanently<br><u>Restricted</u> | <u>Total</u>   |
|--|----------------------------------|----------------------------------|----------------|
| Endowment net assets, October 1, 2015  | \$ (9,283)                       | 759,386                          | 750,103        |
| Contributions  | -                                | 250                              | 250            |
| Endowment investment return:   |                                  |                                  |                |
| Interest, dividends and unrealized gains<br>and losses, net of investment expenses | <u>41,987</u>                    | <u>-</u>                         | <u>41,987</u>  |
| Total endowment investment return  | <u>41,987</u>                    | <u>250</u>                       | <u>42,237</u>  |
| Endowment net assets, September 30,<br>2016  | <u>\$ 32,704</u>                 | <u>759,636</u>                   | <u>792,340</u> |

#### Return Objectives and Risk Parameters

The Organization has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that exceeds inflation by at least 1% while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time to provide a real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

#### Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year of up to 5% annually. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.



**Agape Flights, Inc.**

**Notes to the Financial Statements**

September 30, 2016

**Note 11 – Fair Value of Financial Assets and Liabilities:**

The Organization has adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Organization’s assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2016, and indicate the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets of liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Organization’s assumptions based on the best information available in the circumstance.

|   | <u>9/30/16</u>    | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---|-------------------|--|---|--|
| Investments                                   | \$ 819,364        | <u>792,340</u>   | <u>-</u>  | <u>27,024</u>                                      |
| Total assets and<br>liabilities at fair value | <u>\$ 819,364</u> | <u>792,340</u>   | <u>-</u>  | <u>27,024</u>                                      |

**Agape Flights, Inc.**

**Notes to the Financial Statements**

September 30, 2016

**Note 12 – Defined Contribution Pension Plan:**

The Organization provides a contributory SIMPLE-IRA plan for its employees. Employees are eligible to contribute to the plan beginning on their hire date. The Organization will match employee contributions to the plan up to 3% of each employee's compensation. Retirement expense was \$8,590 for the year ended September 30, 2016.

**Note 13 – Subsequent Events:**

Subsequent events have been evaluated through February 9, 2017, which is the date the financial statements were available to be issued.