

**AGAPE FLIGHTS, INC.**  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Agape Flights, Inc.  
Venice, Florida

**Opinion**

We have audited the accompanying financial statements of Agape Flights, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the twelve-month and fifteen-month periods 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 Flights, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the twelve-month and fifteen-month periods 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 Flights, 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 Flights, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

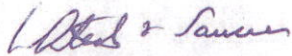
**Auditors' Responsibilities for the Audit of the Financial Statements**

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, including omissions, 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 Flights, 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 Flights, 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.



Whittaker & Saucier, CPA's  
Certified Public Accountants  
Venice, Florida  
June 20, 2022

**Agape Flights, Inc.**  
Statement of Financial Position  
December 31, 2021

(See Independent Auditors' Report)

**ASSETS**

	<u>December 31, 2021</u>
Current Assets:	
Cash and cash equivalents	\$ 930,119
Cash and cash equivalents, with donor restrictions	208,482
Accounts receivable	22,530
Inventory	114,232
Prepaid expenses	67,799
Total Current Assets	<u>1,343,162</u>
Property and equipment, net of accumulated depreciation	1,207,867
Investments	<u>1,662,022</u>
Total Assets	<u>\$ 4,213,051</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 32,964
Accrued expenses	49,855
Total Current Liabilities	<u>82,819</u>
Net Assets:	
Without donor restrictions	\$ 3,161,614
With donor restrictions	208,482
Board restricted	760,136
Total Net Assets	<u>4,130,232</u>
Total Liabilities and Net Assets	<u>\$ 4,213,051</u>

The accompanying notes are an integral part of these financial statements.

**Agape Flights, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2021**

(See Independent Auditors' Report)

	<b>Year ended December 31, 2021</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and support:</b>			
Revenues:			
Cargo fees	\$ 289,672	\$ -	\$ 289,672
Subscriptions	29,100	-	29,100
Investment income, net (see Note 3)	204,713	-	204,713
Other	38,506	-	38,506
Total revenues	561,991	-	561,991
Support:			
Contributions	1,239,515	560,890	1,800,405
Noncash donations	512,151	-	512,151
In-kind contributions:			
Services	127,253	-	127,253
Total support	1,878,919	560,890	2,439,809
Net assets released from restrictions:			
Satisfaction of program restrictions	707,537	(707,537)	-
Total revenues and support	3,148,447	(146,647)	3,001,800
<b>Expenses:</b>			
Program services	1,939,170	-	1,939,170
General and administrative	127,818	-	127,818
Fundraising	277,534	-	277,534
Total Expenses	2,344,522	-	2,344,522
Change in net assets	803,925	(146,647)	657,278
Net assets - January 1, 2021	3,117,825	355,129	3,472,954
Net assets - December 31, 2021	\$ 3,921,750	\$ 208,482	\$ 4,130,232

The accompanying notes are an integral part of these financial statements.

**Agape Flights, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Fifteen-Month Period Ended December 31, 2021**

(See Independent Auditors' Report)

	<b>Fifteen-month period ended December 31, 2021</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and support:</b>			
Revenues:			
Cargo fees	\$ 372,476	\$ -	\$ 372,476
Subscriptions	60,425	-	60,425
Investment income, net (see Note 3)	297,383	-	297,383
Other	39,003	-	39,003
Total revenues	<u>769,287</u>	<u>-</u>	<u>769,287</u>
Support:			
Contributions	1,480,227	776,068	2,256,295
Noncash donations	578,803	-	578,803
In-kind contributions:			
Services	156,968	-	156,968
Total support	<u>2,215,998</u>	<u>776,068</u>	<u>2,992,066</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	811,495	(811,495)	-
Total revenues and support	<u>3,796,780</u>	<u>(35,427)</u>	<u>3,761,353</u>
<b>Expenses:</b>			
Program services	2,313,697	-	2,313,697
General and administrative	160,249	-	160,249
Fundraising	351,546	-	351,546
Total Expenses	<u>2,825,492</u>	<u>-</u>	<u>2,825,492</u>
Change in net assets	971,288	(35,427)	935,861
Net assets - September 30, 2020	<u>2,950,462</u>	<u>243,909</u>	<u>3,194,371</u>
Net assets - December 31, 2021	<u>\$ 3,921,750</u>	<u>\$ 208,482</u>	<u>\$ 4,130,232</u>

The accompanying notes are an integral part of these financial statements.

**Agape Flights, Inc.**  
Statement of Cash Flows  
Year ended December 31, 2021  
(with fifteen-month period ended December 31, 2021)

(See Independent Auditors' Report)

	<u>Year ended</u> <u>December 31, 2021</u>	<u>Fifteen-month</u> <u>period ended</u> <u>December 31, 2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 657,278	\$ 935,861
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	119,954	148,728
Investment income (see Note 3)	(214,017)	(308,767)
(Increase) decrease in:		
Accounts receivable	292	289
Inventory	(58,290)	(75,388)
Prepaid expenses	(4,006)	(49,328)
Increase (decrease) in:		
Accounts payable	11,736	19,137
Accrued expenses	11,410	4,448
Total Adjustments	<u>(132,921)</u>	<u>(260,881)</u>
Net cash flows from operating activities	<u>524,357</u>	<u>674,980</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(211,441)	(215,246)
Net cash flows from investing activities	<u>(211,441)</u>	<u>(215,246)</u>
Net increase (decrease) in cash and cash equivalents	312,916	459,734
Cash and cash equivalents, beginning	<u>825,685</u>	<u>678,867</u>
Cash and cash equivalents, end of year	<u>\$ 1,138,601</u>	<u>\$ 1,138,601</u>
Cash and cash equivalents	\$ 930,119	
Cash and cash equivalents, with donor restrictions	208,482	
Total cash and cash equivalents	<u>\$ 1,138,601</u>	

The accompanying notes are an integral part of these financial statements.



**Agape Flights, Inc.**  
Statement of Functional Expenses  
Year Ended December 31, 2021

(See Independent Auditors' Report)

	<b>Year ended December 31, 2021</b>			
	Program Services	Management and General	Fund Raising	Total
Airplane repairs	\$ 48,333	\$ -	\$ -	\$ 48,333
Bad debt expense	-	292	-	292
Bank charges	4,664	777	10,105	15,546
Cargo expenses	124,258	-	-	124,258
Depreciation	104,360	11,995	3,599	119,954
Development	4,809	2,404	40,874	48,087
Facilities repairs and maint.	5,931	1,483	-	7,414
Insurance	52,974	4,336	-	57,310
Missionary support	958,854	-	-	958,854
Office	14,643	5,632	2,253	22,528
Payroll	391,117	65,186	195,558	651,861
Payroll - employee benefits	49,208	8,201	24,604	82,013
Professional services	13,048	13,047	-	26,095
Rent	20,978	2,331	-	23,309
Staff expenses	2,706	7,577	541	10,824
Theft Loss	-	2,775	-	2,775
Utilities	16,034	1,782	-	17,816
In-kind contributions:				
Services	127,253	-	-	127,253
<b>Total Expenses</b>	<b>\$ 1,939,170</b>	<b>\$ 127,818</b>	<b>\$ 277,534</b>	<b>\$ 2,344,522</b>

The accompanying notes are an integral part of these financial statements

**Agape Flights, Inc.**  
Statement of Functional Expenses  
Fifteen-Month Period Ended December 31, 2021

(See Independent Auditors' Report)

<b>Fifteen-month period ended December 31, 2021</b>				
	Program Services	Management and General	Fund Raising	Total
Airplane repairs	\$ 57,956	\$ -	\$ -	\$ 57,956
Bad debt expense	-	292	-	292
Bank charges	6,098	1,016	13,212	20,326
Cargo expenses	152,888	-	-	152,888
Depreciation	129,393	14,872	4,463	148,728
Development	6,127	3,063	52,076	61,266
Facilities repairs and maint.	10,560	2,640	-	13,200
Insurance	63,908	5,338	-	69,246
Missionary support	1,089,351	-	-	1,089,351
Office	17,850	6,866	2,746	27,462
Payroll	492,341	82,057	246,170	820,568
Payroll - employee benefits	64,318	10,719	32,160	107,197
Professional services	15,313	15,313	-	30,626
Rent	26,625	2,958	-	29,583
Staff expenses	3,597	10,073	719	14,389
Theft Loss	-	2,775	-	2,775
Utilities	20,404	2,267	-	22,671
In-kind contributions:				
Services	156,968	-	-	156,968
<b>Total Expenses</b>	<b>\$ 2,313,697</b>	<b>\$ 160,249</b>	<b>\$ 351,546</b>	<b>\$ 2,825,492</b>

The accompanying notes are an integral part of these financial statements

AGAPE FLIGHTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021  
(See Independent Auditors' Report)

**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 two cargo airplanes 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 donations received from the general public, organizations, churches, and cargo fees from the missionaries it serves.

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*. Accordingly, The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. A description of the net asset categories follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

AGAPE FLIGHTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021  
(See Independent Auditors' Report)

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Accounts Receivable

Accounts that are considered uncollectible are written off as they are identified. No allowance for doubtful accounts has been established at year-end. Management believes all accounts receivable at December 31, 2021 are collectible.

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 contributions without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years.

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 December 31, 2021, 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 financial statements for the year ended December 31, 2021. 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.

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 FINANCIAL STATEMENTS  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021  
(See Independent Auditors' Report)

**Note 1 – Organization and Summary of Significant Accounting Policies (concluded)**

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give include split-interest amounts (contributions shared by the Organization and other beneficiaries, which may include the donor) and are recorded at present value based on the estimated lives of the donors. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor 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, are 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.

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.

Change in Accounting Period

The accounting period was adjusted from September 30 to December 31. This audit report covers the periods of October 1, 2020 through December 31, 2021. The comparative statements have not been presented in this audit report because of this reason.

AGAPE FLIGHTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021  
(See Independent Auditors' Report)

**Note 2 – Property and Equipment**

Property and equipment consists of the following at December 31, 2021:

Construction in progress	\$ 29,827
Airplanes	611,212
Buildings	1,185,814
Hangar & Office Equipment	87,889
Airplane Equipment	407,190
Total Property & Equipment	<u>2,321,932</u>
Less Accumulated Depreciation	<u>(1,114,065)</u>
Property & Equipment, net	<u>\$ 1,207,867</u>

Depreciation expense for the calendar year ended December 31, 2021 was \$119,954 and \$148,728 for the fifteen month period ended December 31, 2021.

**Note 3 – Investments**

The components of investments at December 31, 2021, are summarized as follows:

	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Cash & Equivalents	\$ 51,049	\$ 51,049	\$ -
Accounts Receivable	1,095	1,095	-
Corporates - Fixed	474,035	467,852	(6,183)
Common Stock	629,957	1,142,026	512,069
Total Investments	<u>\$ 1,156,136</u>	<u>\$ 1,662,022</u>	<u>\$ 505,886</u>

Net investment income consists of the following:

	Twelve month period ending December 31, 2021	Fifteen month period ending December 31, 2021
Interest and dividends	\$ 22,648	\$ 27,638
Realized and unrealized gains	191,369	281,129
Total investment income	<u>214,017</u>	<u>308,767</u>
Investment fees and expenses	<u>(9,304)</u>	<u>(11,384)</u>
Investment Income, net	<u>\$ 204,713</u>	<u>\$ 297,383</u>

**Note 4 – Concentration of Credit Risk**

Financial instruments, which potentially subject the Association to concentration of credit risk, consists of cash and cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures cash and other deposits up to \$250,000 at each financial institution. At any given time, the Association may have cash balances exceeding the insured amount at any one financial institution. The Association has not experienced any losses in such amounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

AGAPE FLIGHTS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FIFTEEN MONTH PERIOD ENDING  
 DECEMBER 31, 2021  
 (See Independent Auditors' Report)

**Note 5 – Net Assets With Donor Restrictions**

The Organization's net assets with donor restrictions include the following:

Thanksgiving	\$	5,000
Relief Fund Income		150,533
Project Income (Caring Partners)		5,279
Engine Reserve		16,158
Missionary Encouragement		31,512
	<u>\$</u>	<u>208,482</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors were as follows:

	Twelve month period ending December 31, 2021	Fifteen month period ending December 31, 2021
Aircraft Funding	\$ 29,126	\$ 47,891
Thanksgiving	28,978	60,580
Relief Fund Income	458,827	513,897
Project Income (Caring Partners)	1,926	1,895
Engine Repair/Overhaul	163,842	158,008
Designated Missionary Support	24,388	28,774
Facilities/Hangar	450	450
	<u>\$ 707,537</u>	<u>\$ 811,495</u>

**Note 6 – 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 have been reflected in the statements as follows:

<u>Services</u>	Twelve month period ending December 31, 2021	Fifteen month period ending December 31, 2021
Pilots	\$ 96,580	\$ 113,245
Aircraft repair and maintenance	30,423	43,473
Other	250	250
Total In-kind Service	<u>\$ 127,253</u>	<u>\$ 156,968</u>

AGAPE FLIGHTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FIFTEEN MONTH PERIOD ENDING  
DECEMBER 31, 2021  
(See Independent Auditors' Report)

**Note 7 – Operating Leases**

The Organization leases land from the City of Venice, Florida with an expiration date in February 2039. Terms of the lease call for monthly payments that are adjusted annually based on the Consumer Price Index. A condition of the lease agreement with the City of Venice is that the Organization will repair and or replace the existing concrete exterior airplane parking area on or before February 29, 2024. The Organization has not developed an estimate of the cost to satisfy the condition. Current monthly payments are \$2,122. Future minimum payments under this lease at current lease terms are as follows for the year ended December 31:

2022	\$	27,283
2023		27,449
2024		27,449
2025		27,449
2026		27,449
Thereafter		333,963
Total	\$	<u>471,042</u>

**Note 8 – Endowments**

The Organization's endowment consists of board-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 board-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as perpetual in nature: (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The remaining portion of the board-restricted endowment fund that is not classified as perpetual in nature is classified as net assets with donor restrictions 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.



AGAPE FLIGHTS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FIFTEEN MONTH PERIOD ENDING  
 DECEMBER 31, 2021  
 (See Independent Auditors' Report)

**Note 8 – Endowments (continued)**

Funds with Deficiencies:

From time to time, funds associated with the board-designated endowment funds may be less than the original gift value. There was no deficiency as of December 31, 2021.

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Accumulated Earnings	Original Gift Amount	Total
Beginning Endowment	\$ 697,173	\$ 760,136	\$1,457,309
Endowment investment return: Interest, dividends, and unrealized gains and losses, net of investment expenses	204,713	-	204,713
Ending Endowment	\$ 901,886	\$ 760,136	\$1,662,022

Changes in endowment net assets for the fifteen month period ending December 31, 2021 are as follows:

	Accumulated Earnings	Original Gift Amount	Total
Beginning Endowment	\$ 604,503	\$ 760,136	\$1,364,639
Endowment investment return: Interest, dividends, and unrealized gains and losses, net of investment expenses	297,383	-	297,383
Ending Endowment	\$ 901,886	\$ 760,136	\$1,662,022

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.

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.

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**Note 8 – Endowments (concluded)**

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.

**Note 9 – 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 December 31, 2021, 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.

	Balance as of			
	December 31, 2021	Level 1	Level 2	Level 3
Investments	\$ 1,662,022	\$ 1,662,022	\$ -	\$ -
Total assets at fair value	\$ 1,662,022	\$ 1,662,022	\$ -	\$ -

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**Note 10 – 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 \$15,485 for the year ended December 31, 2021 and \$19,602 for the fifteen month period ended December 31, 2021.

**Note 11 – Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**Note 12 – Liquidity**

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

Cash and cash equivalents	\$ 1,138,601
Investments	1,662,022
Accounts Receivables	<u>22,530</u>
Total financial assets	2,823,153
Less:	
Board Restricted Funds	(760,136)
Donor Restrictions	<u>(208,482)</u>
	(968,618)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,854,535</u>

Using this estimate, the Organization had financial assets at December 31, 2021 to meet the cash needs for approximately 580 days of operating expenses. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

**Note 13 – Subsequent Events**

On March 29, 2022, one of the Organizations aircraft was abducted and destroyed in Les Cayes, Haiti. The Organization received \$295,000 from insurance, resulting in an approximate \$81,665 gain on the disposal of the asset. The Organization has also received a \$1,000,000 donation from Faith Life Church and \$159,994 from other donors, totaling \$1,159,994 to go towards replacing the plane.