

**AGAPE CHRISTIAN
FELLOWSHIP CHURCH**

Financial Statements

December 31, 2008

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Table of Contents

Accountant's Compilation Letter	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Schedules of Functional Expenses	5
Notes to Financial Statement	6

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YEAR END COMPILATION

December 31, 2008

April 1, 2009

**The Board of Directors
Agape Christian Fellowship Church
199 Agape Way
Stephens City, VA 22655**

We have compiled the accompanying statements of Assets, Liabilities and Net Assets-modified cash basis of Agape Christian Fellowship Church as of December 31, 2008 and the related Statements of Activities-modified cash basis and Statement of Cash Flows-cash basis for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of Financial Statements, information that is the representation of management. We have not audited or reviewed the accompanying Financial Statements and, accordingly, do not express an opinion on them.

**Lawhorn & Company
International, Inc.**

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Statement of Financial Position

December 31, 2008

ASSETS

	<u>Dec. 31,</u> <u>2008</u>
<u>CURRENT ASSETS</u>	
Cash & Cash Equivalents	15,840
Accounts Receivable	6,660
TOTAL CURRENT ASSETS	<u>22,500</u>
<u>PROPERTY AND EQUIPMENT</u>	
Land	200,000
Buildings & Improvements	1,459,447
Furniture & Fixtures	38,705
Transportation Equipment	28,547
Computers & Data Processing Equipment	3,292
Office Equipment	11,005
PA, Sound, Broadcast & Music Equipment	20,301
Other Assets	13,256
TOTAL PROPERTY AND EQUIPMENT	<u>1,774,554</u>
Less: Accumulated Depreciation	<u>(330,910)</u>
Cost Less Accumulated Depreciation	<u>1,443,644</u>
<u>OTHER ASSETS</u>	
New Construction	79,510
TOTAL ASSETS	<u><u>1,545,655</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Notes Payable	1,040,428
Accounts Payable	5,177
Taxes Payable	-
TOTAL LIABILITIES	<u>1,045,605</u>
<u>NET ASSETS</u>	
Unrestricted	84,032
Temporarily Restricted	12,802
Equity in Property & Equipment	403,216
TOTAL NET ASSETS	<u>500,050</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>1,545,655</u></u>

SEE ACCOUNTANT'S COMPILATION REPORT AND NOTES TO FINANCIAL STATEMENTS

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Statement of Activities and Change in Net Assets

December 31, 2008

<u>CHANGE IN NET ASSETS UNRESTRICTED</u>	Year Ended Dec 31, 2008
<u>SUPPORT AND REVENUES</u>	
Tithes & Offerings	426,746
Daycare	160,070
Homespun School	29,886
Interest	378
Books & Tapes	579
Rental Income	17,946
Fundraising	9,693
Sale of Assets	4,000
TOTAL UNRESTRICTED SUPPORT	649,297
Net assets released from restrictions	
Restrictions satisfied by payments	116,057
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	765,354
<u>FUNCTIONAL EXPENSES</u>	
Programs and Ministries	393,884
Management and General	102,563
Daycare/School	188,304
Depreciation	59,666
Interest	56,641
TOTAL EXPENSES	801,059
Increase (decrease) in unrestricted net assets	(35,705)
<u>TEMPORARILY RESTRICTED NET ASSETS</u>	
Designated contributions	119,978
Net assets released from restriction	(116,057)
Increase (decrease) in temporarily restricted net assets	3,921
Increase (decrease) in net assets	(31,783)
<u>NET ASSETS, BEGINNING OF PERIOD</u>	<u>531,833</u>
<u>NET ASSETS, END OF PERIOD</u>	<u>500,050</u>

SEE ACCOUNTANT'S COMPILATION REPORT AND NOTES TO FINANCIAL STATEMENTS

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Statement of Cash Flow

December 31, 2008

	<u>Year Ended 2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in net assets	(31,783)
Adjustments to reconcile change in net assets	
net cash from operating activities:	
Depreciation	59,666
Accounts Receivable-Daycare	806
Increase (decrease) in operating liabilities	
Taxes payable	10
Accounts Payable	5,177
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>33,876</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
New Construction	(2,032)
Purchase of equipment and improvements	(26,800)
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(28,832)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Principal payments on mortgage and notes payable	(41,862)
	<u>(41,862)</u>
<u>TOTAL USE OF FUNDS</u>	(70,694)
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(36,818)</u>
<u>CASH, BEGINNING OF PERIOD</u>	52,658
<u>CASH, END OF PERIOD</u>	<u>15,840</u>

SEE ACCOUNTANT'S COMPILATION LETTER AND NOTES TO FINANCIAL STATEMENT

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Schedule of Functional Expenses

December 31, 2008

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. The following schedule allocates costs among the programs and supporting services benefited.

Natural Order of Expenses for December 31, 2008

Expenses	Total	Program & Ministries	Management & General	Daycare/School	Interest & Depreciation
Accounting	4,725	-	4,725	-	-
Advertising	1,859	-	1,605	254	-
A.I.M.	765	765	-	-	-
Altar Ministry & Apostolic	1,341	1,341	-	-	-
Auto & Transportation	2,099	1,729	-	370	-
Background Checks/Exams	145	-	120	25	-
Bank Service Charges	80	-	40	40	-
Benevolence/Care Ministry	9,246	9,246	-	-	-
Books & Tapes	16,659	6,274	-	10,385	-
Casual Labor	7,018	-	5,718	1,300	-
Childcare	1,085	1,085	-	-	-
Cleaning Supplies & Janitorial	6,211	-	5,917	294	-
Conferences & Education	335	335	-	-	-
Data Processing Fees & Supplies	205	-	205	-	-
Depreciation	59,666	-	-	-	59,666
Donations	13,005	13,005	-	-	-
Dues & Subscriptions	1,750	-	1,750	-	-
Encouragement/Exalt Ministries	639	639	-	-	-
Encounter Weekend	1,168	1,168	-	-	-
Equip Training & Internship	1,334	1,334	-	-	-
Equipment Rental & Leasing	1,692	1,692	-	-	-
Fellowship Activities	5,003	5,003	-	-	-
Flowers, Gifts, Events & Pizza	2,889	1,714	-	1,175	-
Fundraiser	7,062	4,750	-	2,312	-
Housing & Rental Allowance	92,847	92,847	-	-	-
Honorariums/Love Offerings	2,247	2,247	-	-	-
Insurance	50,030	34,139	5,824	10,067	-
Interest	56,641	-	-	-	56,641
Internet Services	936	936	-	-	-
Kid's Church/VBS	3,770	3,770	-	-	-
License & Permits	245	-	245	-	-
Maintenance & Repairs	9,861	2,504	7,357	-	-
Men's Ministry	1,906	1,906	-	-	-
Missions, Outreach & Extend	97,052	97,052	-	-	-
Music & Multi-Media Ministry	3,155	3,155	-	-	-
Office Supplies & Equipment	2,201	-	2,201	-	-
Outside Services	1,590	-	1,590	-	-
Payroll Tax Expense	12,837	-	2,917	9,920	-
Postage & Shipping	792	792	-	-	-
Prayer & Prayer Team	382	382	-	-	-
Rent	17,277	-	-	17,277	-
Retirement	3,600	-	3,600	-	-
Salaries & Wages	221,972	53,986	38,311	129,676	-
Security	918	-	918	-	-
Seminars/Training/Scholarship	14,655	14,519	-	136	-
Supplies & Small Equipment	6,061	-	3,671	2,390	-
Telephone	11,202	8,519	-	2,683	-
Travel, Meals & Lodging	5,515	5,515	-	-	-
Utilities	15,849	-	15,849	-	-
Visiting Ministry	16,288	16,288	-	-	-
Women's Ministries	598	598	-	-	-
Youth	4,650	4,650	-	-	-
Total:	801,059	393,884	102,563	188,304	116,308

SEE ACCOUNTANT'S COMPILATION LETTER AND NOTES TO FINANCIAL STATEMENT

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Notes to Financial Statement

December 31, 2008

Note 1: Nature of Organization and Significant Accounting Policies

Nature of Organization

Agape Christian Fellowship Church founded as a non-profit organization created to develop implement programs which will be a force for reconciliation in the world and to bring together all individuals, groups, classes, races, and nations in Jesus Christ. The organization has one location in Stephens City, VA.

The significant accounting policies are as follows:

Method of Accounting

The financial statements have been prepared utilizing the modified-cash basis of accounting

Financial Statement Presentation

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is require to present a statement of cash flows.

Classes of Net Assets

The financial statements report amounts separately by class of funds or net assets.

- a) Unrestricted amounts are those that are not subject to donor-imposed stipulations and are currently available at the discretion of the board for use in the organization's operations.

Unrestricted net assets are separated into the following components:

- 1) Operating, and
 - 2) Fixed assets - which represent the Organization's capital assets less any outstanding debt thereon.
- b) Temporarily restricted amounts are those which are stipulated by donors for a specific purpose or a specific time frame. Once the purpose (i.e., completion of building improvements) or time frame has been satisfied, they are no longer considered temporarily restricted.
 - c) Permanently restricted amounts are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per endowment agreements.

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Notes to Financial Statement

December 31, 2008

Contributions

The Organization also adopted SFAS No. 116, " Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Use of Estimates

The Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from these estimates.

Income tax status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Property, Equipment and Improvements

Property, equipment and improvements are carried at cost. Depreciation is calculated on the straight-line method over the following estimated useful lives of the assets:

Buildings & Improvements	40 years
Furniture, fixtures and equipment	5 years

Cash Equivalents

For purposes of the statement of cash flows, the Church/Ministry considers all short-term instruments purchased with maturity of three months or less to be cash equivalents.

Allocated Expenses

Expenses by function have been allocated among supporting service classifications.

Inventory

Inventory consist of books and tapes and is recorded at the lower of cost or market.

AGAPE CHRISTIAN FELLOWSHIP CHURCH

Notes to Financial Statement

December 31, 2008

Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

Depreciation of property and equipment is computed on the straight-line method. Estimated useful lives of property and equipment are as follows: leasehold improvements -10 to 40 years; furniture and equipment-5 to 7 years.

Depreciation expense amounted to \$59,666 for the period ended 12/31/2008.

Revenue

All items of revenue and support are stated on the modified-cash basis.

Contributions with donor imposed restrictions that are received and met in the same period are recorded as unrestricted in the accompanying financial statements.

Contributions of temporarily restricted long-lived assets or contributions of cash to acquire them are assumed to be restricted over the useful life of the assets.

Expenses

All items of expense are stated on the modified-cash basis.

Concentration of Risk

The Church is primarily dependent upon contributions by its membership to meet expenses of operation and for the payment of principal and interest on debt, if any. Although management of the Church expects contributions to be adequate, there can be no assurance that such contributions will be sufficient to meet these obligations. Also, there is no assurance that Church membership will increase or remain stable or that per capita contribution by members will increase or remain stable.

Tax Laws

Any adverse change in the tax laws, or any adverse change in the Church's tax status as a tax-exempt organization, would affect contributors who are currently entitled to deduct their contributions to the Church from gross income. Any such change, in turn, could adversely affect the level of contributions to the Church and the ability of the Church to meet its obligations, including principal and interest on debt.