

**AGAPE CHILD AND FAMILY SERVICES, INC.**

**FINANCIAL STATEMENTS**

**September 30, 2015**

# AGAPE CHILD AND FAMILY SERVICES, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Agape Child and Family Services, Inc.  
Memphis, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Agape Child and Family Services, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Child and Family Services, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

Memphis, Tennessee  
February 5, 2016

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION

September 30, 2015 and 2014

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	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,701	\$ 9,045
Investments, at fair value	427,995	559,788
Promises to give	272,025	232,663
Grants receivable	25,595	108,019
Contract receivables	71,428	119,193
Prepaid expenses	21,345	22,389
Property and equipment, net	<u>555,402</u>	<u>575,517</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,379,491</u></b>	<b>\$ <u>1,626,614</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 85,263	\$ 93,814
Line of credit	<u>128,629</u>	<u>156,358</u>
Total liabilities	<u>213,892</u>	<u>250,172</u>
<b>NET ASSETS</b>		
Unrestricted	873,723	916,567
Temporarily restricted	<u>291,876</u>	<u>459,875</u>
Total net assets	<u>1,165,599</u>	<u>1,376,442</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,379,491</u></b>	<b>\$ <u>1,626,614</u></b>

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

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	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support -			
Contributions	\$ 82,195	\$ 231,503	\$ 313,698
Fundraising	532,758	28,250	561,008
Revenue -			
FIT	916,673	19,851	936,524
Achievement school district	1,135,024	-	1,135,024
Adoption services	131,904	12,272	144,176
Powerlines community network	454,883	-	454,883
Investment return	(14,657)	-	(14,657)
Other	9,810	-	9,810
Net assets released from restrictions	<u>459,875</u>	<u>(459,875)</u>	<u>-</u>
Total support and revenue	<u>3,708,465</u>	<u>(167,999)</u>	<u>3,540,466</u>
<b>EXPENSES</b>			
Program services -			
FIT	1,126,983	-	1,126,983
Adoption services	317,234	-	317,234
Powerlines community network	<u>1,364,403</u>	<u>-</u>	<u>1,364,403</u>
Total program expenses	<u>2,808,620</u>	<u>-</u>	<u>2,808,620</u>
Supporting services -			
General and administrative	521,434	-	521,434
Fundraising	<u>421,255</u>	<u>-</u>	<u>421,255</u>
Total supporting services	<u>942,689</u>	<u>-</u>	<u>942,689</u>
Total expenses	<u>3,751,309</u>	<u>-</u>	<u>3,751,309</u>
<b>CHANGE IN NET ASSETS</b>	(42,844)	(167,999)	(210,843)
<b>NET ASSETS - beginning of year</b>	<u>916,567</u>	<u>459,875</u>	<u>1,376,442</u>
<b>NET ASSETS - end of year</b>	<u>\$ 873,723</u>	<u>\$ 291,876</u>	<u>\$ 1,165,599</u>

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

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	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support -			
Contributions	\$ 164,391	\$ 201,001	\$ 365,392
Fundraising	566,780	21,450	588,230
Revenue -			
FIT	1,175,160	81,221	1,256,381
Achievement school district	371,785	-	371,785
Adoption services	103,544	532	104,076
Powerlines community network	728,656	155,671	884,327
Investment return	30,690	-	30,690
Other	10,906	-	10,906
Net assets released from restrictions	<u>337,312</u>	<u>(337,312)</u>	<u>-</u>
 Total support and revenue	<u>3,489,224</u>	<u>122,563</u>	<u>3,611,787</u>
<b>EXPENSES</b>			
Program services -			
FIT	1,273,292	-	1,273,292
Adoption services	353,127	-	353,127
Powerlines community network	<u>998,450</u>	<u>-</u>	<u>998,450</u>
Total program expenses	<u>2,624,869</u>	<u>-</u>	<u>2,624,869</u>
 Supporting services -			
General and administrative	462,538	-	462,538
Fundraising	<u>572,989</u>	<u>-</u>	<u>572,989</u>
Total supporting services	<u>1,035,527</u>	<u>-</u>	<u>1,035,527</u>
 Total expenses	<u>3,660,396</u>	<u>-</u>	<u>3,660,396</u>
 <b>CHANGE IN NET ASSETS</b>	(171,172)	122,563	(48,609)
 <b>NET ASSETS - beginning of year</b>	<u>1,087,739</u>	<u>337,312</u>	<u>1,425,051</u>
 <b>NET ASSETS - end of year</b>	<u>\$ 916,567</u>	<u>\$ 459,875</u>	<u>\$ 1,376,442</u>

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2015

	<u>Program Services</u>			<u>Supporting Services</u>		Total
	FIT	Adoption Services	Powerlines Community Network	General and Administrative	Fundraising	
Salaries and employee benefits	\$ 548,227	\$ 252,387	\$ 1,066,448	\$ 402,562	\$ 312,301	\$ 2,581,925
Advertising and promotion	1,674	136	1,674	-	17,414	20,898
Office supplies and expense	39,613	8,155	34,965	20,063	4,155	106,951
Repairs and maintenance	18,868	4,379	28,836	28,144	3,799	84,026
Utilities	83,396	2,196	7,483	1,476	1,069	95,620
Postage	1,191	842	1,781	930	2,305	7,049
Telephone	28,053	2,533	31,397	(1,568)	3,162	63,577
Depreciation	13,047	2,441	26,017	4,883	2,441	48,829
Dues and subscriptions	350	609	153	2,177	1,101	4,390
Professional services	1,075	-	32,537	22,991	-	56,603
Contract labor	-	2	6,509	4,002	-	10,513
Insurance	25,955	10,083	51,755	9,709	4,864	102,366
Staff and resource development	9,319	648	17,110	10,849	1,217	39,143
Interest expense	-	-	-	6,518	-	6,518
Travel	11,513	3,137	13,131	815	1,755	30,351
Rent	495	-	-	-	-	495
Counseling/direct program expense	326,064	29,686	-	618	18,505	374,873
Powerlines community network direct expenses	-	-	30,928	-	-	30,928
Heartlight dinner	-	-	-	-	47,050	47,050
Other	<u>18,143</u>	<u>-</u>	<u>13,679</u>	<u>7,265</u>	<u>117</u>	<u>39,204</u>
	<u>\$ 1,126,983</u>	<u>\$ 317,234</u>	<u>\$ 1,364,403</u>	<u>\$ 521,434</u>	<u>\$ 421,255</u>	<u>\$ 3,751,309</u>

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2014

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>FIT</u>	<u>Adoption Services</u>	<u>Powerlines Community Network</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and employee benefits	\$ 493,333	\$ 255,045	\$ 824,685	\$ 333,725	\$ 286,797	\$ 2,193,585
Advertising and promotion	1,939	2,000	-	25	30,207	34,171
Office supplies and expense	29,160	6,508	21,870	14,415	13,428	85,381
Repairs and maintenance	21,838	6,978	22,706	25,064	4,425	81,011
Utilities	114,064	1,971	6,487	1,603	1,120	125,245
Postage	1,404	958	1,540	1,046	804	5,752
Telephone	24,080	5,785	27,504	3,386	3,364	64,119
Depreciation	30,708	6,580	-	4,387	2,193	43,868
Dues and subscriptions	628	498	-	1,106	1,695	3,927
Professional services	49,771	-	34,896	25,845	2,029	112,541
Contract labor	5,282	-	6,871	7,046	-	19,199
Insurance	64,379	15,374	-	14,350	4,600	98,703
Staff and resource development	1,903	3,466	6,004	4,809	10,469	26,651
Interest expense	-	517	-	3,227	-	3,744
Travel	12,277	3,129	14,561	1,700	2,791	34,458
Rent	8,593	-	-	-	-	8,593
Childcare and board payments	-	724	-	-	-	724
Counseling/direct program expense	397,634	43,594	-	3,429	62,943	507,600
Powerlines community network direct expenses	-	-	31,326	-	-	31,326
Bank charges	-	-	-	3,958	-	3,958
Heartlight dinner	-	-	-	-	143,134	143,134
Other	<u>16,299</u>	<u>-</u>	<u>-</u>	<u>13,417</u>	<u>2,990</u>	<u>32,706</u>
	<u>\$ 1,273,292</u>	<u>\$ 353,127</u>	<u>\$ 998,450</u>	<u>\$ 462,538</u>	<u>\$ 572,989</u>	<u>\$ 3,660,396</u>

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## STATEMENTS OF CASH FLOWS

Years Ended September 30, 2015 and 2014

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	2015	2014
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (210,843)	\$ (48,609)
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Donated investments	(8,288)	-
Depreciation	48,829	43,868
Realized gain on sale of investments	(6,551)	(57,940)
Unrealized loss on investments	26,899	31,769
Changes in operating assets and liabilities -		
Promises to give	(39,362)	(60,883)
Grants receivable	82,424	21,779
Contract receivables	47,765	(87,698)
Prepaid expenses	1,044	(3,668)
Accounts payable	<u>(8,551)</u>	<u>23,429</u>
<b>Net cash flows from operating activities</b>	<u>(66,634)</u>	<u>(137,953)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,206,896)	(698,463)
Proceeds from sale of investments	2,326,629	792,502
Purchase of property and equipment	<u>(28,714)</u>	<u>(134,683)</u>
<b>Net cash flows from investing activities</b>	<u>91,019</u>	<u>(40,644)</u>
<b>FINANCING ACTIVITIES</b>		
Net borrowings (payments) on line of credit	<u>(27,729)</u>	<u>37,819</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,344)</b>	<b>(140,778)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>9,045</u>	<u>149,823</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 5,701</u>	<u>\$ 9,045</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 6,518	\$ 3,227

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

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Organization are as follows:

**NATURE OF ORGANIZATION** - Agape Child and Family Services, Inc. was organized under the laws of the State of Tennessee and operates as a not-for-profit organization. The Organization provides children and families with healthy homes in the regional area through community restoration, homeless services, mentoring, foster care, adoption, maternity services and counseling in the Mid-South area.

**BASIS OF ACCOUNTING** - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**FINANCIAL STATEMENT PRESENTATION** - The financial statements reflect the results of all programs operated by the Organization. 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, based on the absence or existence and type of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. All support is considered unrestricted unless specifically restricted by the donor.

**Temporarily restricted net assets** - Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. The Organization's temporarily restricted net assets are restricted by the donors as to the specific purpose or year when funds can be utilized or received.

**Permanently restricted net assets** - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of the assets allow the Organization to use the contributions for unrestricted or restricted purposes. There were no permanently restricted net assets for the years ended September 30, 2015 and 2014.

**CASH AND CASH EQUIVALENTS** - The Organization considers all highly liquid deposit instruments with original maturities of three months or less and cash accounts that are not subject to withdrawal restrictions or penalties to be cash equivalents. The Organization maintains cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed statement of financial position amounts due to outstanding checks.

**PROPERTY AND EQUIPMENT** - Property and equipment are recognized at acquisition cost if purchased, or at estimated fair value on the date received if donated, less accumulated depreciation. Expenditures for additions, major renewals or betterments in excess of \$500 are capitalized and those for maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the assets using the straight-line method. Upon the disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of activities.

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVESTMENTS - The Organization's investments are valued at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The financial statements include investment securities totaling \$427,995 and \$559,788 as of September 30, 2015 and 2014, respectively. The Organization's financial statements include investment securities traded on a national securities exchange, or reported on the NASDAQ national market, which are valued based on quoted market prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

PROMISES TO GIVE - Promises to give are recognized as support when they are received or unconditionally pledged and are classified as unrestricted, temporarily restricted or permanently restricted support depending on the designation, existence or nature of any donor restrictions. The Organization evaluates the collectibility of promises to give and evaluates the need for an allowance for uncollectible promises to give. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through bad debt expense. All accounts or portions thereof considered uncollectible or to require excessive collection costs are written off. No provision for an allowance for uncollectible promises to give has been made since it is management's opinion that promises to give are collectible as of September 30, 2015 and 2014.

GRANTS RECEIVABLE - The Organization receives reimbursement grants. Revenue for these grants is not recognized until acceptable expenditures under the grant terms have been made and reimbursement can be requested. As of September 30, 2015 and 2014, the Organization had grants receivable totaling \$25,595 and \$108,019, respectively. An allowance for doubtful accounts is recognized, if necessary, based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon aging of outstanding balances. Management has determined that the grants receivable are collectible and, accordingly, there was no allowance for uncollectible accounts as of September 30, 2015 or 2014.

CONTRACT RECEIVABLES - Contract receivables represent amounts due for services performed for adoption agencies. The Organization does not require collateral to support the receivables. All accounts or portions thereof considered uncollectible or to require excessive collection costs are written off to bad debts. Management has determined an allowance for doubtful accounts is not necessary as of September 30, 2015 and 2014.

REVENUE RECOGNITION AND CONTRIBUTED SUPPORT - Contributions received are recognized as unrestricted, temporarily restricted or permanently restricted, depending upon 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 support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. The Organization has received no contributions with donor-imposed restrictions that classify as permanently restricted net assets.

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**NET ASSETS RELEASED FROM RESTRICTIONS** - The expiration of a donor-imposed restriction on a promise to give is recognized in the period in which the restriction expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed or the stipulated purpose for which the resource was restricted has been fulfilled.

**IN-KIND CONTRIBUTIONS** - Contributions of donated noncash assets are capitalized at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recognized at their fair values in the period received as support and functional expense.

Additionally, the Organization receives a significant amount of contributed time from general volunteers which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

**INCOME TAXES** - The Organization is classified by the Internal Revenue Service as a corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from state taxes. Consequently, no federal or state income taxes have been provided in these financial statements. Management does not believe that the Organization had any unrelated business income for the years ended September 30, 2015 and 2014.

The Organization's federal and state exempt organization returns for the years ended September 30, 2012, 2013 and 2014, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**ADVERTISING AND PROMOTION** - Advertising and promotion costs are expensed as incurred and totaled \$20,898 and \$34,171 for 2015 and 2014, respectively.

**FUNCTIONAL ALLOCATION OF EXPENSES** - Expenses that are directly identifiable are charged to program services or supporting services as incurred. Expenses related to more than one function are charged to program services or supporting services on the basis of management's estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**ESTIMATES AND UNCERTAINTIES** - 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SUBSEQUENT EVENTS** - The Organization has evaluated subsequent events for potential recognition and disclosure through February 5, 2016, the date the financial statements were available to be issued.

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - INVESTMENTS

Investments reported at fair value consist of the following:

	Cost	2015 Fair Value			Total
		Level 1	Level 2	Level 3	
Mutual funds	\$ 416,617	\$ 410,371	\$ -	\$ -	\$ 410,371
Fixed income funds	4,278	7,194	-	-	7,194
Alternative investments	<u>12,292</u>	<u>10,430</u>	<u>-</u>	<u>-</u>	<u>10,430</u>
	<u>\$ 433,187</u>	<u>\$ 427,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,995</u>

	Cost	2014 Fair Value			Total
		Level 1	Level 2	Level 3	
Mutual funds	\$ 523,256	\$ 546,610	\$ -	\$ -	\$ 546,610
Fixed income funds	<u>14,826</u>	<u>13,178</u>	<u>-</u>	<u>-</u>	<u>13,178</u>
	<u>\$ 538,082</u>	<u>\$ 559,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,788</u>

Investment return consists of the following:

	2015	2014
Interest and dividends	\$ 14,718	\$ 12,778
Unrealized gain (loss) on investments	(26,899)	(31,769)
Realized gain on sale of investments	6,551	57,940
Investment fees	<u>(9,027)</u>	<u>(8,259)</u>
	<u>\$ (14,657)</u>	<u>\$ 30,690</u>

During the years ended September 30, 2015 and 2014, the Organization received investment contributions from donors totaling \$8,288 and \$0, respectively.

### NOTE 3 - PROMISES TO GIVE

Promises to give are restricted due to time and expected to be collected as follows:

	2015	2014
Less than one year	<u>\$ 272,025</u>	<u>\$ 232,663</u>

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

	2015	2014
Land	\$ 100,000	\$ 100,000
Buildings and improvements	594,901	592,365
Furniture and equipment	449,034	422,856
Automobiles	<u>88,045</u>	<u>88,045</u>
	1,231,980	1,203,266
Accumulated depreciation	<u>(676,578)</u>	<u>(627,749)</u>
	<u>\$ 555,402</u>	<u>\$ 575,517</u>

### NOTE 5 - LINE OF CREDIT

The Organization has a revolving line of credit with a bank for \$300,000. The line of credit agreement calls for interest at the prime rate less one-half of one percent, subject to a minimum rate of 2.75%. As of September 30, 2015, the line of credit accrued interest at 2.75%. The line expires on February 15, 2017. As of September 30, 2015 and 2014, there was \$128,629 and \$156,358, respectively, in outstanding borrowings under this line of credit. The line of credit is collateralized by property and equipment.

The Organization's checking account is maintained at a bank. Upon notice by a bank for the checks presented daily, the Organization requests a bank to transfer funds from the line of credit. The Organization's outstanding checks as of September 30, 2015 and 2014, totaled \$0 and \$40,204, respectively, which are classified in the line of credit balance.

The line of credit contains certain financial covenants, and with the exception of one requirement for which the bank has granted an extension of time to meet, management believes the Organization is in compliance with all covenants.

### NOTE 6 - RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan (the Plan) which covers substantially all employees. Under the Plan, participants may elect to defer up to the maximum dollar limit set by law. The Organization may make discretionary matching contributions as determined annually by the Organization's Board of Directors. For the years ended September 30, 2015 and 2014, the Organization made matching contributions to the participant's elective deferral up to 3%, respectively, of the participant's qualifying compensation. Each participant's contributions and contributions made by the Organization are fully vested at all times. For the years ended September 30, 2015 and 2014, the Organization incurred Plan expenses of \$35,093 and \$26,702, respectively.

# AGAPE CHILD AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - IN-KIND CONTRIBUTIONS

During the years ended September 30, 2015 and 2014, the Organization received in-kind contributions. These amounts are included in contributions in the statements of activities and are included in the following expense classifications in the statements of functional expenses:

	2015	2014
Office supplies and expense	\$ <u>26,748</u>	\$ <u>9,995</u>

In the years ended September 30, 2015 and 2014, the Organization also received \$8,288 and \$0, respectively, in donated investments.

### NOTE 8 - NET ASSETS

As of September 30, 2015 and 2014, temporarily restricted net assets are restricted for the following purposes:

	2015	2014
Time restrictions	\$ <u>291,876</u>	\$ <u>459,875</u>

Net assets released from restrictions for the years ended September 30, 2015 and 2014, totaled \$459,875 and \$337,312, respectively, as the time restrictions had been satisfied.

## **SUPPLEMENTARY INFORMATION**

**AGAPE CHILD AND FAMILY SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended September 30, 2015**

<b>Federal Grantor/ Program Title/ Pass-through Grantor</b>	<b><u>CFDA Number</u></b>	<b><u>Pass-through Grantor's Number</u></b>	<b><u>Beginning Accrual</u></b>	<b><u>Receipts</u></b>	<b><u>Expenditures</u></b>	<b><u>Ending Accrual</u></b>
<b>FEDERAL AWARDS</b>						
Department of Housing and Urban Development - Passed through the State of Tennessee -						
Supportive Housing Program	14.267	TN0022L4J011306	\$ 25,014	\$ 167,254	\$ 142,240	\$ -
Supportive Housing Program	14.267	TN0020L4J011306	49,746	169,344	119,598	-
Supportive Housing Program	14.235	TN0020L4J011205	594	594	-	-
Supportive Housing Program	14.267	TN0022L4J011407	-	116,346	127,314	10,968
Supportive Housing Program	14.267	TN0022L4J011407	-	58,524	67,407	8,883
Department of Justice -						
Transitional Housing Assistance	16.736	2011-WH-AX-0060	32,662	32,662	-	-
Transitional Housing Assistance	16.736	2014-WH-AX-0036	<u>-</u>	<u>104,203</u>	<u>104,203</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			108,016	648,927	560,762	19,851
<b>STATE FINANCIAL ASSISTANCE</b>						
State of Tennessee Child Abuse Prevention Grant		GR 39458	<u>-</u>	<u>33,645</u>	<u>39,386</u>	<u>5,741</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 108,016</u>	<u>\$ 682,572</u>	<u>\$ 600,148</u>	<u>\$ 25,592</u>

**AGAPE CHILD AND FAMILY SERVICES, INC.**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE**  
**FINANCIAL ASSISTANCE**  
**Year Ended September 30, 2015**

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**NOTE 1 - BASIS OF PRESENTATION**

The schedule of expenditures of federal awards and state financial assistance summarizes the grant activity of the Organization under programs of the federal and state government for the year ended September 30, 2015, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Tennessee Department of Audit, *Audit Manual*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## **INTERNAL CONTROL AND COMPLIANCE**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Agape Child and Family Services, Inc.  
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Agape Child and Family Services, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elliott Davis Decosimo, LLC*

Memphis, Tennessee  
February 5, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Agape Child and Family Services, Inc.  
Memphis, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Agape Child and Family Services, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a long, sweeping underline.

Memphis, Tennessee  
February 5, 2016

**AGAPE CHILD AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2015**

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? \_\_\_\_\_yes      X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes      X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes      X  no

**FEDERAL AWARDS**

Internal control over major federal programs:

- Material Weakness(es) identified? \_\_\_\_\_yes      X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes      X  none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_yes      X  no

Identification of major federal programs:

<b>CFDA Number</b>	<b>Name of Major Federal Program</b>
14.267	Supportive Housing Program

Dollar threshold used to distinguish type A and type B programs:   \$300,000  

Auditee qualified as low-risk auditee?   X  yes    \_\_\_\_\_no

**AGAPE CHILD AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2015**

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**Section II - Financial Statement Findings**

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None.

**AGAPE CHILD AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2015**

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**Section III - Federal Award Findings and Questioned Costs**

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None.