


# ASIA HARVEST, INC.

## WINSTON-SALEM, NORTH CAROLINA

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**ASIA HARVEST, INC.**

**WINSTON-SALEM, NORTH CAROLINA**

**DECEMBER 31, 2016**

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MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
SOUTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

PAYNE, WHITE & SCHMUTZ
CERTIFIED PUBLIC ACCOUNTANTS, PA

MARK A. PAYNE, CPA
JASON S. WHITE, CPA/PFS, CFP®, CFE
CHRISTIAN J. SCHMUTZ, CPA, MBA

114 West North First Street, Seneca, SC 29678 (864) 882-1937 (864) 882-0849

*Independent Auditor's Report*

Board of Directors
Asia Harvest, Inc.
Winston Salem, North Carolina

We have audited the accompanying financial statements of Asia Harvest, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asia Harvest, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

July 19, 2017

# FINANCIAL STATEMENTS

**ASIA HARVEST, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2016**

| | | |
|---|---|---|
| **ASSETS:** | | |
| Cash and Cash Equivalents | $ | 868,776 |
| Investments | | 1,541 |
| Inventory | | 17,441 |
| **TOTAL ASSETS** | $ | 887,758 |
| **LIABILITIES:** | | |
| Accounts Payable | $ | 1,005 |
| **TOTAL LIABILITIES** | | 1,005 |
| **NET ASSETS:** | | |
| Unrestricted | | 490,614 |
| Temporarily Restricted | | 396,139 |
| **TOTAL NET ASSETS** | | 886,753 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 887,758 |

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

**ASIA HARVEST, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
|---|---|---|---|
| **REVENUE AND SUPPORT:** | | | |
| Contributions | $ 598,615 | $ 2,273,037 | $ 2,871,652 |
| Donated Services | 20,000 | - | 20,000 |
| Gifts in Kind | 6,010 | - | 6,010 |
| Interest Income | 150 | - | 150 |
| Unrealized Gain/Loss | 1,653 | - | 1,653 |
| Other Income | 4,056 | - | 4,056 |
| **TOTAL REVENUE AND SUPPORT** | 630,484 | 2,273,037 | 2,903,521 |
| **RECLASSIFICATIONS:** | | | |
| Satisfaction of Program Restrictions | 2,302,855 | (2,302,855) | - |
| **EXPENSES:** | | | |
| Program | 2,575,797 | - | 2,575,797 |
| Administrative | 88,376 | - | 88,376 |
| Fund Raising | 32,245 | - | 32,245 |
| **TOTAL EXPENSES** | 2,696,418 | - | 2,696,418 |
| **CHANGE IN NET ASSETS** | 236,921 | (29,818) | 207,103 |
| **NET ASSETS, BEGINNING OF YEAR** | 253,693 | 425,957 | 679,650 |
| **NET ASSETS, END OF YEAR** | $ 490,614 | $ 396,139 | $ 886,753 |

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

**ASIA HARVEST, INC.**

**STATEMENT OF FUNCTIONAL EXPENDITURES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | PROGRAM | | | | | | |
|---|---|---|---|---|---|---|---|
| | BIBLE PRINTING | EVANGELISM | HUMANITARIAN AID | TOTAL PROGRAM | ADMINISTRATIVE | FUND RAISING | TOTAL |
| Grants & Assistance | 1,200,670 | 824,228 | 534,226 | 2,559,124 | - | - | 2,559,124 |
| Printing & Publications | - | - | - | - | 10,537 | 31,245 | 41,782 |
| Miscellaneous | - | - | - | - | 24,331 | - | 24,331 |
| Donated Services | $ 5,000 | $ 5,000 | $ 5,000 | $ 15,000 | $ 4,000 | $ 1,000 | $ 20,000 |
| Professional Fees | - | - | - | - | 19,765 | - | 19,765 |
| Postage & Shipping | - | - | - | - | 16,215 | - | 16,215 |
| Office Expense & Supplies | - | 1,673 | - | 1,673 | 5,523 | - | 7,196 |
| Travel | - | - | - | - | 3,175 | - | 3,175 |
| Occupancy | - | - | - | - | 2,029 | - | 2,029 |
| Telephone | - | - | - | - | 1,696 | - | 1,696 |
| Conferences and Meetings | - | - | - | - | 1,105 | - | 1,105 |
| **Total Expenses** | $ 1,205,670 | $ 830,901 | $ 539,226 | $ 2,575,797 | $ 88,376 | $ 32,245 | $ 2,696,418 |

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

**ASIA HARVEST, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | 2016 |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Change in Net Assets | $ 207,103 |
| **ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS** | |
| **TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | |
| Donated securities not converted to cash | (1,111) |
| Change in Inventory | 7,212 |
| Change in Accounts Payable | (1,347) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 211,857 |
| **NET INCREASE (DECREASE) IN CASH** | 211,857 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 656,919 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 868,776 |

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### General

Asia Harvest, Inc. (AHI) is a non-profit organization. As a Christian ministry, AHI works in various countries throughout Asia to see effective churches planted among unreached people groups. AHI works alongside Asian church leaders, helping and equipping them to focus on reaching the lost.

### Basis of Accounting and Presentation

The accounts of AHI are maintained, and these financial statements have been prepared, on the accrual basis of accounting which recognizes income when earned regardless of when received and expenses when incurred regardless of when paid. Financial statement presentation is in accordance with generally accepted accounting principles within the United States of America (GAAP). Under GAAP, the organization is required to report information regarding its financial practice and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Income Tax

AHI is organized within the tax-exempt status provided by 501 (c) (3) of the Internal Revenue Code. During the year, AHI had no sources of unrelated business income. Therefore, no provision is made for federal and state corporate income taxes.

AHI has adopted accounting principles related to accounting for uncertainty in income taxes. AHI's policy is to record a liability for any tax position taken that is beneficial to AHI, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management believes there are no such positions as of year-end and, accordingly, no liability has been accrued. Fiscal years ending on or after December 31, 2013 remain subject to examination by federal and state authorities.

### Property and Equipment

Property and equipment are recorded at cost for items purchased and recorded at fair market value for donated property. It is AHI's policy to capitalize equipment which costs at least $5,000 per unit item. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is based on the following policies:

| Description | Useful Life | Method |
|---|---|---|
| Buildings | 25-40 Years | Straight Line |
| Equipment | 5-10 Years | Straight Line |
| Vehicles | 5-7 Years | Straight Line |

### Net Assets

The financial statements report amounts separately by class of net assets:

a) Unrestricted net assets are those available at the discretion of the board for use in the organization's ministries, and those resources invested in land, buildings and equipment.

b) Temporarily restricted net assets are those restricted by donors for specific operating purposes, or for use in a future reporting period.

c) Permanently restricted net assets are those restricted by donors in perpetuity as endowments or irrevocable trusts.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:**

**Unrestricted and Restricted Revenue and Support**

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to AHI. Donated property (including securities, real property, and equipment) are recorded at fair value at the date of the gift.

AHI reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, AHI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Donated Items**

Donated supplies and other items are recorded at estimated fair value at the date of contribution.

**Contributed Services**

Contributed services are recognized by AHI whenever those services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills provided that AHI would otherwise need to secure those services. Services are determined based upon the average fair value of comparable services. Program, administrative and fundraising efforts benefited from these services in the current year. The value of all services was determined to be $20,000 for the current year. This amount, which related to the fact that the field director did not take a salary from AHI, was recognized as both donated services revenue and expense.

**Cash Equivalents**

For purposes of the statement of cash flows, short-term investments with maturities of three months or less are considered cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

The most significant estimate relates to donated services revenue and expense.

**Inventory**

Inventory, such as books, newsletters and stationery are stated at the lower of cost or market. Inventory is held in a storage facility in the US.

**Advertising Costs**

Advertising costs are expensed as incurred.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to program services, general administration, and fund raising.

**NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets represent the unspent balance of donor restricted contributions for specific purposes, such as to support specific aid projects. Temporarily restricted net assets of $396,139 were available in the form of cash at year-end, and held for the following purposes as of December 31, 2016:

| Description | Amount |
|---|---|
| Literature | $ 56,074 |
| Evangelism | 51,473 |
| Humanitarian | 280,938 |
| Relief Fund | 7,654 |
| **Total** | $ 396,139 |

The following represents a further breakdown of temporarily restricted revenue and expenditures on the related projects for the year. Note that some expenditures shown below would include the spending of unrestricted revenue on the project:

| | Revenues | Expenses |
|---|---|---|
| China Bible Fund | $ 961,357 | $ 1,000,000 |
| Asian Bible Fund | 189,989 | 200,670 |
| Asian Workers' Fund | 722,754 | 823,978 |
| Living Martyrs' Fund | 275,295 | 274,021 |
| Project Smile | 9,554 | 25,000 |
| Bless the Children Fund | 49,200 | 115,500 |
| Persecution & Relief Fund | 64,888 | 81,237 |
| **Total** | $ 2,273,037 | $ 2,520,406 |

**NOTE 3 – CONCENTRATIONS:**

AHI received $482,750 of contributions from a single donor. These contributions accounted for approximately 17% of AHI's total contributions for the year.

**NOTE 4 – SUBSEQUENT EVENTS EVALUATION:**

Management has evaluated subsequent events through July 19, 2017, which is the date the financial statements were available to be issued.