THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

FINANCIAL STATEMENTS

June 30, 2017

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Association for Guidance, Aid, Placement
and Empathy (AGAPE)
Nashville, Tennessee

We have audited the accompanying financial statements of The Association for Guidance, Aid, Placement and Empathy (AGAPE) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses 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 The Association for Guidance, Aid, Placement and Empathy (AGAPE) as of June 30, 2017, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, net assets as of June 30, 2016 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Fraser, Dru & Hard, PLLC

Nashville, Tennessee
September 27, 2017

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF FINANCIAL POSITION
June 30, 2017

Assets

Current assets:	
Cash and cash equivalents	$ 191,865
Investments	1,389,539
Accounts receivable, net	26,314
Prepaid expenses	20,541
Total current assets	1,628,259
Property and equipment, net	484,212
Investments, net of amounts shown as current	970,868
Total assets	$ 3,083,339

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 8,901
Accrued expenses	69,173
Current portion of annuities payable	3,842
Total current liabilities	81,916
Annuities payable, net of current portion	13,150
Total liabilities	95,066
Net assets:	
Unrestricted	1,871,529
Temporarily restricted	145,652
Permanently restricted	971,092
Total net assets	2,988,273
Total liabilities and net assets	$ 3,083,339

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Changes in unrestricted net assets:	
Public support:	
Individual support	$ 650,484
Corporate support	139,238
Congregational support	155,349
Memorial gifts	73,346
Estate gifts	103,797
Total public support	1,122,214
Service revenue:	
Counseling fees	594,173
Adoption fees	52,184
Professional service fees	144,437
Total service revenue	790,794
Other revenue:	
Investment income, net	113,981
Net assets released from restrictions	135,401
Miscellaneous income	12,769
Total other revenue	262,151
Total public support, service and other revenue	2,175,159
Expenses:	
Program services	1,433,622
Supporting services	734,240
Total expenses	2,167,862
Increase in unrestricted net assets	7,297
Changes in temporarily restricted net assets:	
Contributions	167,500
Investment income, net	83,078
Net assets released from restrictions	(135,401)
Increase in temporarily restricted net assets	115,177
Change in net assets	122,474
Net assets at beginning of year	2,865,799
Net assets at end of year	$ 2,988,273

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Change in net assets	$ 122,474
Adjustments to reconcile change in net assets to cash flows used in operating activities:	
Depreciation	37,637
Net gain on investments	(186,701)
Changes in operating assets and liabilities:	
Accounts receivable	15,679
Prepaid expenses	(2,374)
Accounts payable	(9,947)
Accrued expenses	952
Annuities payable	(17,131)
Net cash used in operating activities	(39,411)
Cash flows from investing activities:	
Purchases of property and equipment	(8,726)
Proceeds from sale of investments	2,313,540
Purchases of investments	(2,218,612)
Net cash provided by investing activities	86,202
Net increase in cash and cash equivalents	46,791
Cash and cash equivalents at beginning of year	145,074
Cash and cash equivalents at end of year	$ 191,865

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and related expenses	$ 425,223	$ 164,243	$ 177,360	$ 766,826	$ 276,046	$ 138,325	$ 414,371	$1,181,197
Clinical expenses	267,400	2,002	-	269,402	8,708	-	8,708	278,110
Support payments - foster care	-	173,613	-	173,613	-	-	-	173,613
Professional fees	7,802	28,789	1,784	38,375	45,733	41,540	87,273	125,648
Insurance	30,084	8,434	3,842	42,360	7,854	5,456	13,310	55,670
Supplies and maintenance	20,244	5,967	4,274	30,485	16,294	3,337	19,631	50,116
Annual dinner expenses	-	-	-	-	-	49,798	49,798	49,798
Depreciation	19,571	5,081	5,081	29,733	5,269	2,635	7,904	37,637
Golf tournament expenses	-	-	-	-	-	36,140	36,140	36,140
Computer expense	13,327	4,047	1,766	19,140	6,908	2,775	9,683	28,823
Utilities	11,360	3,824	270	15,454	10,889	1,843	12,732	28,186
Travel	4,997	9,722	4,090	18,809	7,207	1,207	8,414	27,223
Miscellaneous	5,524	5,752	3,856	15,132	4,634	1,133	5,767	20,899
Direct mail costs	-	-	-	-	-	18,882	18,882	18,882
Advertising and promotion	410	97	-	507	3,837	12,836	16,673	17,180
Telephone	6,113	2,462	1,784	10,359	3,255	2,143	5,398	15,757
Postage	746	235	93	1,074	6,082	4,692	10,774	11,848
Dues and subscriptions	35	518	600	1,153	7,986	796	8,782	9,935
Bad debt expense	-	-	1,200	1,200	-	-	-	1,200
Total expenses	$ 812,836	$ 414,786	$ 206,000	$1,433,622	$ 410,702	$ 323,538	$ 734,240	$2,167,862

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

The Association for Guidance, Aid, Placement and Empathy (AGAPE) (the "Association") is a licensed, independent, nonprofit, family service agency providing (1) an educational program for teaching good family life and mental health; (2) counseling services for troubled marriages, family systems and individuals; and (3) children's services through foster care, placing children for adoption and group experiences for children. The Association is supported primarily by contributions from individuals, corporations, and churches.

The financial statements reflect only the activities for which the Association is directly involved in the receipt and expending of funds and do not include indirect assistance to the Association's clients through other programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association are presented on the accrual basis. The significant accounting policies followed are described below:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. During the year ended June 30, 2017, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2017, the Association had no balances in excess of federally insured limits.

Investments

According to the Not-for-Profit Entities topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are recognized in the statement of activities. Fair values are based on quoted market prices on the last business day of the year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for in the unrestricted and temporarily restricted funds unless permanently restricted by the donor.

Fair Value Measurements

The Association has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Receivables and Credit Policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. Certain clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected.

Pledges receivable are recorded when an unconditional promise to give is received. No discounts are recorded on the pledges receivable that are due within one year.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Estimated useful lives for the various classes of assets are as follows:

Buildings and improvements	4 - 40 years
Furniture and equipment	3 - 7 years
Transportation equipment	5 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charitable Gift Annuities

The Association has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Association is trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The portion of the funds attributable to the present value of the future benefits to be received by the Association was recorded in the statement of activities as unrestricted contributions in the periods the funds were received. There were no such gifts received during the year ended June 30, 2017. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments ($16,992 at June 30, 2017) has been recorded as a liability in the accompanying statement of financial position. The Association maintains investments with a fair market value at June 30, 2017 of $3,618 with which to satisfy this obligation. According to the terms of the agreements, the Association is required to make quarterly payments totaling $2,223. The Association will use undesignated funds to the extent necessary to satisfy the obligations.

Income Taxes

The Association is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

The Association follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2017.

Revenue Recognition

Cash contributions are recognized as revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Service revenue is recognized at the time the services are provided. In-kind contributions are recorded at estimated fair value at the date of donation.

Valuation of Long-Lived Assets

The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Use of 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 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.

Functional Allocation of Expenses

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

Restricted Endowment Funds

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Not-for-Profit Entities topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It requires that the amount of permanently restricted net assets cannot be reduced by losses on investments of funds or by an organization's expenditures from the fund unless the donor required the gift to be held in specific investments. It also requires disclosure of a description of the governing board's interpretation of the

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Endowment Funds (Continued)

law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Subsequent Events

The Association evaluated subsequent events through September 27, 2017, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS

The Association utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 4 – INVESTMENTS

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2017:

Marketable equity securities	$ 1,284,701
Mutual funds	592,662
Government securities	251,392
Corporate bonds	154,673
Cash and short-term investments	76,979
Total investments	2,360,407
Less amounts shown as current	(1,389,539)
Investments, net of amounts shown as current	$ 970,868

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarizes the net investment income in the statements of activities for the year ended June 30, 2017:

Dividend income	$ 34,648
Interest income	8,439
Net gain on investments	186,701
Investment expenses	(32,729)
Investment income, net	$ 197,059

Net gain on investments is presented in the accompanying statement of activities as follows:

Unrestricted gain on investment	$ 113,981
Temporarily restricted gain on investment	83,078
Investment income, net	$ 197,059

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at June 30, 2017:

Land	$ 139,790
Buildings and improvements	865,466
Furniture and equipment	137,360
Transportation equipment	7,949
	1,150,565
Accumulated depreciation	(666,353)
Property and equipment, net	$ 484,212

NOTE 6 – NET ASSETS

The board of directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of the board and does not represent donor restrictions. A summary of unrestricted net assets at June 30, 2017, is as follows:

Board-designated:	
Heffington	$ 191,469
Kresge Foundation	111,727
	303,196
Undesignated	1,568,333
Total unrestricted net assets	$ 1,871,529

Temporarily restricted net assets at June 30, 2017, consist of contributions restricted by donors for the following purposes:

Fiscal year 2018 operations	$ 95,000
Counseling Affordability Initiative	23,902
Hispanic counseling	15,250
Therapy play room renovations	7,500
Website upgrades	4,000
Total temporarily restricted net assets	$ 145,652

Permanently restricted net assets of $971,092 at June 30, 2017, consist of investments in perpetuity, the income from which is expendable to support the care of special needs children.

NOTE 7 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS

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

Interpretation of Relevant Law

The board of directors of the Association has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and

NOTE 7 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interpretation of Relevant Law (Continued)

(c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Policy and Risk Parameters

The Association has adopted investment 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 Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 4 percent while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Association 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 Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year 5 percent or less of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association'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 7 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. However, there were no such deficiencies as of June 30, 2017.

Changes in Endowment Net Assets for the Year Ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ -	$ -	$ 971,092	$ 971,092
Investment return:				
Investment income	-	3,635	-	3,635
Net appreciation (realized and unrealized)	-	79,443	-	79,443
Total investment return	-	83,078	-	83,078
Appropriations	-	(83,078)	-	(83,078)
Endowment net assets, end of period	$ -	$ -	$ 971,092	$ 971,092

NOTE 8 – RETIREMENT PLAN

The Association sponsors a defined contribution retirement plan for its employees, which was established under the provisions of Internal Revenue Code Section 403(b). Employees may begin participation upon inception of employment. Employee contributions of up to 5 percent of wages are matched by the Association. The Association's matching contributions of $44,299 are included in salary and related expenses in the accompanying statement of functional expenses.

NOTE 9 – ADVERTISING EXPENSES

The Association's advertising efforts involved social media, printed marketing materials, booth sponsorships, outdoor and magazine advertisements to the general public. Costs associated with the advertising totaled $17,180 for the year ended June 30, 2017, and are included as advertising and promotion expenses in the accompanying statement of functional expenses.

NOTE 10 – LEASE COMMITMENTS

The Association leases certain equipment under noncancelable operating leases. Future minimum lease payments under the noncancelable leases at June 30, 2017 are as follows:

Year Ending June 30	
2018	$ 16,793
2019	11,537
2020	11,537
2021	10,765
2022	1,891
	$ 52,523

Total rental expense for the year ended June 30, 2017 was $18,311.

NOTE 11 – RECLASSIFICATION

During the year ended June 30, 2017, the board of directors and management reviewed its temporarily restricted net asset balances and determined that restrictions had been satisfied in previous years but had not been released. As a result, $615,960 of previously reported temporarily restricted net asset balances have been reclassified to unrestricted net assets at June 30, 2016. The reclassification had no effect on total net assets as previously reported at June 30, 2016.