

ASSIST INTERNATIONAL, INC.
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
December 31, 2016 and 2015

ASSIST INTERNATIONAL, INC.

December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Assist International, Inc.
Scotts Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Assist International, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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. 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 Organization'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 Organization'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 Organization as of December 31, 2016 and 2015, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 – 14 are 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.

*Ronald Blue & Co.
CPAs and Consultants, LLP*

Santa Ana, California

April 28, 2017

Except for Note 9, dated August 22, 2017

ASSIST INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 7,893,499	\$ 8,282,250
Grant receivable	358,320	-
Investments	146,332	132,501
Inventory – project equipment and materials	3,742,907	3,668,364
Other assets	12,708	27,191
Property and equipment, net	<u>2,414,380</u>	<u>2,237,310</u>
 Total assets	 <u>\$ 14,568,146</u>	 <u>\$ 14,347,616</u>
 Liabilities		
Accounts payable and accrued expenses	\$ 43,284	\$ 91,647
Security deposits	4,968	4,243
Note payable	<u>1,129,501</u>	<u>1,163,369</u>
 Total liabilities	 <u>1,177,753</u>	 <u>1,259,259</u>
 Net assets		
Unrestricted	2,099,282	3,832,464
Temporarily restricted	<u>11,291,111</u>	<u>9,255,893</u>
 Total net assets	 <u>13,390,393</u>	 <u>13,088,357</u>
 Total liabilities and net assets	 <u>\$ 14,568,146</u>	 <u>\$ 14,347,616</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted net assets		
Support and revenues		
Contributions	\$ 7,739,553	\$ 11,484,152
Investment income	68,341	65,747
Other support and revenues	63,859	69,130
Unrealized gain (loss) on investments	<u>9,516</u>	<u>66</u>
Total unrestricted support and revenues	7,881,269	11,619,095
Net assets released from restrictions	<u>3,320,298</u>	<u>5,451,315</u>
Total support and revenues	<u>11,201,567</u>	<u>17,070,410</u>
Expenses		
Program services	11,963,316	15,428,664
General and administrative	580,905	533,817
Fund-raising	<u>113,454</u>	<u>109,630</u>
Total expenses	<u>12,657,675</u>	<u>16,072,111</u>
Net change in unrestricted net assets	<u>(1,456,108)</u>	<u>998,299</u>
Temporarily restricted net assets		
Contributions	2,258,288	1,914,933
Donated equipment, materials and services	2,820,154	3,062,348
Net assets released from purpose restrictions	<u>(3,320,298)</u>	<u>(5,451,315)</u>
Net change in temporarily restricted net assets	<u>1,758,144</u>	<u>(474,034)</u>
Change in net assets	302,036	524,265
Net assets, beginning of year	<u>13,088,357</u>	<u>12,564,092</u>
Net assets, end of year	<u>\$ 13,390,393</u>	<u>\$ 13,088,357</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 302,036	\$ 524,265
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	55,413	99,423
Donated equipment and materials, net	(74,543)	1,169,569
Unrealized (gain) loss on investments	(9,516)	(66)
Changes in:		
Grant receivable	(358,320)	-
Other assets	14,483	(19,857)
Accounts payable and accrued expenses	(48,363)	(1,677)
Security deposits	<u>725</u>	<u>2,500</u>
Net cash from operating activities	<u>(118,085)</u>	<u>1,774,157</u>
Cash flows from investing activities		
Acquisition of investments	(4,315)	(975)
Acquisition of property and equipment	<u>(232,483)</u>	<u>(54,778)</u>
Net cash from investing activities	<u>(236,798)</u>	<u>(55,753)</u>
Cash flows from financing activities		
Payments on note payable	<u>(33,868)</u>	<u>(32,357)</u>
Net cash from financing activities	<u>(33,868)</u>	<u>(32,357)</u>
Net change in cash and cash equivalents	(388,751)	1,686,047
Cash and cash equivalents, beginning of year	<u>8,282,250</u>	<u>6,596,203</u>
Cash and cash equivalents, end of year	<u>\$ 7,893,499</u>	<u>\$ 8,282,250</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Summary of significant accounting policies

The financial statements of Assist International, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies follows.

Business activity

Assist International, Inc. (the Organization) is a nonprofit corporation formed on February 2, 1990, providing resources from America to meet needs in developing and third world countries. The Organization has been granted recognition by the Internal Revenue Service as a tax-exempt, publicly supported organization.

Basis of presentation

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. At December 31, 2016 and 2015, there were no net assets or activities classified as permanently restricted.

Financial statement estimates and assumptions

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

Concentrations

As of December 31, 2016 and 2015, and at various times throughout each year, the Organization maintained certain cash in bank deposit accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits.

During 2016 and 2015, approximately 61% and 70% respectively, of the Organization's contributions, including donated equipment, materials and services, were made by its largest donor.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

Grant receivable

Grant receivable consists of amounts due from the Organization's largest donor. The amounts due are a reimbursement of expenses incurred during the year.

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Summary of significant accounting policies (continued)

Investments

Investments in equity securities with readily determinable fair market values are reported at their fair market values in the statements of financial position.

Inventory – project equipment and materials

Inventory represents donated medical equipment and supplies and is priced according to fair value. The first-in, first-out method is not observed because equipment is designated for specific projects. See Note 5.

Property and equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures in excess of \$1,000 for repairs, maintenance, and renewals that materially prolong the useful lives of assets are capitalized. Property and equipment is stated at cost or estimated fair value at date of receipt if donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense for the years ended December 31, 2016 and 2015, was \$55,413 and \$99,423, respectively.

Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. All donor-restricted net assets are reported as an increase in temporarily restricted, or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. During the years ended December 31, 2016 and 2015, there were no contributions received that were classified as permanently restricted.

Functional allocation of expenses

The Organization provides information about expenses by functional classification. Functional classification groups expenses by major classes of program services and supporting activities. Program services are expenses that directly fulfill the mission or purpose for which the organization exists. Supporting activities are those expenses that are not program services, but make it possible for the Organization to provide program services. Supporting activities typically include management, general and fund raising expenses.

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Summary of significant accounting policies (continued)

Income taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3). The Organization is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended December 31, 2016 and 2015, the Organization received rental income which was not subject to unrelated business taxable income, and therefore incurred no tax liability due to unrelated business income. The Organization does not believe their financial statements include any uncertain tax positions.

Donated materials and services

Donated materials are recorded as contributions in the accompanying statements at their estimated fair market value at the date of receipt.

A substantial number of volunteers, both professional and non-professional, have made significant donations of their time to the Organization's program services and administrative services. Donations of professional services have been recorded in the accompanying statements at their estimated fair market value. Non-professional donated services, however, have not been reflected in the financial statements as no objective basis is available to measure such services. Management has estimated that non-professional services rendered on a volunteer basis could be estimated in the tens of thousands of dollars.

Reclassifications

Certain prior year expenses have been reclassified to conform to the current year presentation.

Note 2 – Property and equipment

Property and equipment consisted of the following:

	2016	2015
Automobiles	\$ 198,104	\$ 208,612
Office equipment	131,415	141,332
Land and improvements	2,916,290	2,727,878
Less: accumulated depreciation	<u>(831,429)</u>	<u>(840,512)</u>
Property and equipment, net	<u>\$ 2,414,380</u>	<u>\$ 2,237,310</u>

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 3 – Investments

Investments at December 31, 2016 and 2015, consisted of the following:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
December 31, 2016			
Investments in stock	\$ 146,332	\$ 79,766	\$ 66,566
Total	<u>\$ 146,332</u>	<u>\$ 79,766</u>	<u>\$ 66,566</u>
December 31, 2015			
Investments in stock	\$ 132,501	\$ 75,451	\$ 57,050
Total	<u>\$ 132,501</u>	<u>\$ 75,451</u>	<u>\$ 57,050</u>

The fair value of the Organization's investments is measured based on levels of observable and reliable assumptions as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The Organization's investments are measured and reported at fair value on a recurring basis.

The tables below set out fair value measurements based on the levels described above for December 31, 2016 and 2015, respectively:

	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 146,332	\$ -	\$ -	\$ 146,332
Total	<u>\$ 146,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,332</u>

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 3 – Investments (continued)

	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 132,501	\$ -	\$ -	\$ 132,501
Total	<u>\$ 132,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,501</u>

Note 4 – Note payable

On July 7, 2008, the Organization obtained a note payable, secured by real property, to Assemblies of God Loan Fund in the amount of \$1,518,000. The note is payable in monthly interest installments of \$8,584 at a 7.00% rate of interest through March 15, 2029. The outstanding principal balance of the note payable for the years ended December 31, 2016 and 2015, was \$1,129,501 and \$1,163,369 respectively.

The required minimum payments for each of the next five years consisted of the following:

<u>December 31</u>	
2017	\$ 22,297
2018	23,909
2019	25,638
2020	27,491
2021	29,478
Thereafter	1,000,688

Note 5 – Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2016 and 2015, were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Romania projects	\$ 232,534	\$ 257,500
General Electric projects	7,014,918	5,063,119
Uganda projects	300,752	221,111
Inventory – project equipment and materials	3,742,907	3,668,364
Other relief and outreach efforts	<u>-</u>	<u>45,799</u>
Total temporarily restricted net assets	<u>\$ 11,291,111</u>	<u>\$ 9,255,893</u>

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 6 – Operating leases

The Organization leases office space in Scotts Valley, California, and various office equipment from an unrelated party on month-to-month terms. Lease expense on these various agreements was \$22,836 and \$27,133 for the years ended December 31, 2016 and 2015, respectively.

The Organization leases a portion of their warehouse in Ripon, California to unrelated parties with various terms. Most are on a month-to-month basis, but some are considered non-cancelable over three year terms. Lease income for the years ended December 31, 2016 and 2015 was \$62,180 and \$64,395, respectively.

Projected future lease income for each of the next five years is as follows:

<u>December 31</u>		
2017	\$	40,500
2018		8,550
2019		-
2020		-
2021		-

Note 7 – Supplemental disclosures to the statement of cash flows

	2016	2015
Cash paid during the year for:		
Interest	<u>\$ 80,549</u>	<u>\$ 82,649</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

There were no non-cash financing activities for the years ended December 31, 2016 and 2015.

During the years ended December 31, 2016 and 2015, the Organization received donations of equipment and materials in the amounts of \$2,879,336 and \$2,852,770, respectively. During the years ended December 31, 2016 and 2015, the Organization used donated equipment and materials of \$2,804,793 and \$4,022,339, respectively, in relief efforts and projects.

Note 8 – Subsequent events

Management has evaluated the impact of any of subsequent events through April 28, 2017, the date on which the accompanying financial statements were available to be issued.

ASSIST INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 9 – Subsequent discovery of facts

Management discovered that an incorrect schedule had resulted in an overstatement of both revenue and expense in the same amount. As a result, both contributions revenue and relief and outreach expense have been reduced by \$277,074. These changes had no effect on net income for the year ended December 31, 2016. Any audit procedures applied subsequent to the original audit report date were limited solely to the revised financial information.

ASSIST INTERNATIONAL, INC.

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total
		General and Administrative	Fund Raising	
Accounting	\$ 12,210	\$ 9,990	\$ -	\$ 22,200
Auto	7,616	3,264	-	10,880
Bank charges	14,598	5,485	-	20,083
Benevolence	16,292	-	-	16,292
Board meetings	2,490	2,490	-	4,979
Business development	4,976	4,976	-	9,951
Depreciation	38,789	16,624	-	55,413
Dues and subscriptions	-	2,263	-	2,263
Gifts	5,789	1,447	2,412	9,649
Insurance	148,538	83,552	-	232,090
Interest expense	80,549	-	-	80,549
Legal	7,068	7,068	-	14,136
Office expenses	51,132	51,132	-	102,266
Office rent	8,700	8,700	-	17,400
Payroll taxes	41,111	28,404	5,232	74,748
Postage	14,471	3,618	952	19,041
Printing and publications	29,663	7,416	1,952	39,030
Relief and outreach efforts	10,029,687	-	-	10,029,687
Repairs and maintenance	24,461	13,760	-	38,221
Salaries and wages	1,043,743	323,413	102,906	1,470,061
Telephone	12,984	7,303	-	20,287
Travel	359,339	-	-	359,339
Warehouse expense	9,110	-	-	9,110
	<u>\$ 11,963,316</u>	<u>\$ 580,905</u>	<u>\$ 113,454</u>	<u>\$ 12,657,675</u>

See independent auditors' report

ASSIST INTERNATIONAL, INC.

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fund Raising	
Accounting	\$ 14,677	\$ 12,008	\$ -	\$ 26,685
Auto	8,548	3,664	-	12,212
Bank charges	14,470	5,437	-	19,907
Benevolence	24,392	-	-	24,392
Board meetings	2,142	2,142	-	4,284
Depreciation	69,596	29,827	-	99,423
Dues and subscriptions	-	1,942	-	1,942
Insurance	95,614	53,783	-	149,397
Interest expense	82,649	-	-	82,649
Legal	5,028	5,028	-	10,056
Office expenses	74,238	74,239	-	148,478
Office rent	8,700	8,700	-	17,400
Payroll taxes	32,260	22,289	4,106	58,655
Postage	13,445	3,361	885	17,690
Printing and publications	23,346	5,836	1,536	30,718
Promotion	23,171	5,793	9,655	38,618
Relief and outreach efforts	13,612,395	-	-	13,612,395
Repairs and maintenance	476	267	-	743
Salaries and wages	947,831	293,695	93,448	1,334,975
Telephone	10,323	5,806	-	16,129
Travel	353,692	-	-	353,692
Warehouse expense	11,671	-	-	11,671
	<u>\$ 15,428,664</u>	<u>\$ 533,817</u>	<u>\$ 109,630</u>	<u>\$ 16,072,111</u>

See independent auditors' report