

Hermano Pablo Ministries

Compiled Financial Statements

For the Years Ended December 31, 2012 and 2011

HERMANO PABLO MINISTRIES

For The Years Ended December 31, 2012 and 2011

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Hermano Pablo Ministries
Costa Mesa, California

We have compiled the accompanying statements of financial position - cash basis of Hermano Pablo Ministries (A Nonprofit Corporation) as of December 31, 2012 and 2011 and the related statements of activities - cash basis, and cash flows - cash basis for the years then ended, and the accompanying supplementary information contained in the schedules of operating expenses - cash basis, which are presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary schedules.

Folkers, Choi and Associates
An accountancy corporation

February 19, 2013

Hermano Pablo Ministries

STATEMENTS OF FINANCIAL POSITION

Cash Basis

December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 57,390	\$ 39,399
Prepaid Expenses	<u>-</u>	<u>-</u>
Total Current assets	<u>57,390</u>	<u>39,399</u>
Property and equipment		
Land	80,200	80,200
Building	90,786	90,786
Building Improvements	153,569	153,569
Furniture and fixtures	25,840	25,840
Equipments	<u>70,126</u>	<u>70,126</u>
Total property and equipment	420,521	420,521
Less: accumulated depreciation	<u>(249,451)</u>	<u>(240,286)</u>
Net property and equipment	<u>171,070</u>	<u>180,235</u>
Total assets	<u>\$ 228,460</u>	<u>\$ 219,634</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Line of credit	\$ <u>-</u>	\$ 14,000
Total liabilities	<u>-</u>	<u>14,000</u>
Net Assets		
Unrestricted Net Assets - beginning of year	205,634	192,795
Excess (Deficit) of support and revenues over expenses	<u>22,826</u>	<u>12,839</u>
Unrestricted Net Assets	<u>228,460</u>	<u>205,634</u>
Total liabilities and net assets	<u>\$ 228,460</u>	<u>\$ 219,634</u>

See Independent Accountants' Compilation Report.

Hermano Pablo Ministries

STATEMENTS OF ACTIVITIES

Cash Basis

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Support				
Contributions	\$ 284,089	73.93	\$ 227,634	63.90
Church Offerings	<u>21,964</u>	<u>5.72</u>	<u>23,830</u>	<u>6.68</u>
Total support	<u>306,053</u>	<u>79.64</u>	<u>251,464</u>	<u>70.59</u>
Other Revenues				
Property rent income	30,810	8.02	31,903	8.96
Offers Income	6,996	1.82	3,893	1.09
A/G World Missions	27,556	7.17	61,000	17.12
Designated Income	8,480	2.21	-	-
Alpha Caption	-	-	7,268	2.04
Interest income	81	0.02	-	-
Miscellaneous	<u>4,300</u>	<u>1.13</u>	<u>692</u>	<u>0.19</u>
Total other revenues	<u>78,223</u>	<u>20.36</u>	<u>104,756</u>	<u>29.41</u>
Total support and other revenues	<u>384,276</u>	<u>100.00</u>	<u>356,220</u>	<u>100.00</u>
Operating expenses (see schedule)	<u>361,450</u>	<u>94.06</u>	<u>343,381</u>	<u>96.40</u>
(Decrease) in unrestricted Net Assets	<u>\$ 22,826</u>	<u>5.94</u>	<u>\$ 12,839</u>	<u>3.60</u>

See Independant Accountants' Compilation Report.

Hermano Pablo Ministries

STATEMENTS OF CASH FLOWS

Cash Basis

For The Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Decrease in unrestricted net assets	\$ 22,826	\$ 12,839
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	<u>9,165</u>	<u>12,578</u>
Net cash flows provided by operating activities	<u>31,991</u>	<u>25,417</u>
Cash flows from investing activities:		
Purchase of capital assets	<u>-</u>	<u>(2,159)</u>
Net cash flows used by investing activities	<u>-</u>	<u>(2,159)</u>
Cash flow from (used by) financing activities:		
Line of credit	<u>(14,000)</u>	<u>6,000</u>
Net cash flows from (used by) financing activities	<u>(14,000)</u>	<u>6,000</u>
Net (decrease) in cash and cash equivalents	17,991	29,258
Cash and cash equivalents:		
Beginning of year	<u>39,399</u>	<u>10,141</u>
End of year	<u>\$ 57,390</u>	<u>\$ 39,399</u>

See Independent Accountants' Compilation Report

HERMANO PABLO MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Note 1: Nature of Organization

Hermano Pablo Ministries (the Organization) was incorporated in the state of California and adopted an operating year ending December 31. The organization has been recognized as a religious exempt organization under the IRC. 501(c)(3). The Organization operates a Christian radio ministry and broadcasts worldwide.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principles primarily because the Organization records revenue when received and expenses when paid.

Cash and Cash Equivalents: Cash and cash equivalents include all moneys held in banks as well as all highly liquid investments with a maturity date of three months or less.

Concentration of Credit Risk: At times throughout the year, the Organization may maintain certain bank accounts in excess of federal deposit insurance limits. Management does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents.

Property and Equipment: The Organization follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred. Depreciation expense for the years ended December 31, 2012 and 2011 was \$9,165 and \$12,578 respectively, and is included in operating expenses.

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 certain 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. Accordingly, actual results could differ from those estimates.

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. The Organization has no activities unrelated to its exempt purpose, and therefore, incurred no tax liability due to unrelated business income for the years ended December 31, 2012 and 2011.

Financial Accounting Standards Board ASC 740-10-25, Income Taxes, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. The Organization has evaluated its uncertain tax positions and related excise tax contingencies, and does not believe that any material uncertain tax positions exist. The Organization's tax returns are subject to examination by federal taxing authorities for a period of three years from the date they are filed and a period of four years for state taxing authorities.

HERMANO PABLO MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 AND 2011

Note 3: Retirement Plan

The Organization maintains a 403(b) retirement plan for employees who work 20 or more hours per week and have completed two years of employment. Under the terms of the plan, the employees are entitled to contribute a portion of their compensation within limitations established by the Internal Revenue Service code section. The Organization provides additional contributions based on length of employment. The employer contributions for the year ended December 31, 2012 and 2011 were \$7,200.00 and \$6,725.00 respectively.

Note 4: Subsequent Events

The management of the Organization has reviewed the results of operations and evaluated subsequent events for the period of time from its year end December 31, 2012 through February 19, 2013, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statement nor have any subsequent events occurred, the nature of which would require disclosure.

Hermano Pablo Ministries

SCHEDULES OF OPERATING EXPENSES

Cash Basis

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Auto expense	\$ 471	0.12	\$ 340	0.10
Bank charges	2,341	0.61	958	0.27
Benevolence	115	0.03	16	0.00
Building security service	663	0.17	600	0.17
Business Meals and Entertainments	1,024	0.27	999	0.28
Computer software	4,660	1.21	2,361	0.66
Conventions and seminars	543	0.14	293	0.08
Depreciation	9,165	2.39	12,578	3.53
Dues and subscriptions	165	0.04	100	0.03
Equipment Expenses	-	-	1,340	0.38
Films and tapes	20,707	5.39	20,003	5.62
Health and dental insurance	15,206	3.96	13,615	3.82
Housing Allowance	3,000	0.78	24,000	6.74
Insurance - building	4,025	1.05	4,503	1.26
Insurance - workers' compensation	1,012	0.26	1,224	0.34
Interest	130	0.03	334	0.09
Ministry Supports	1,285	0.33	124	0.03
Miscellaneous	524	0.14	144	0.04
Offers	-	-	177	0.05
Office supplies	1,357	0.35	2,329	0.65
Outside services	9,700	2.52	11,077	3.11
Paper supplies	1,598	0.42	861	0.24
Payroll taxes	10,376	2.70	10,558	2.96
Postage and delivery	25,396	6.61	23,591	6.62
Printing	2,575	0.67	4,692	1.32
Production - On location	8,665	2.25	-	-
Professional services	3,606	0.94	3,530	0.99
Promotional Expense	200	0.05	328	0.09
Property taxes	4,942	1.29	5,010	1.41
Publications and books	422	0.11	32	0.01
Repairs and maintenance	9,219	2.40	14,558	4.09
Retirement plan	7,200	1.87	6,725	1.89
Salaries and wages	183,636	47.79	152,985	42.95
Shipping Supplies	3,069	0.80	-	-
Staff Training	-	-	2,443	0.69
Telephone	8,008	2.08	9,741	2.73
Travel and Meal expenses	1,769	0.46	72	0.02
Utilities	10,154	2.64	9,608	2.70
Volunteers	1,592	0.41	1,532	0.43
Web Expenses	2,930	0.76	-	-
Total operating expenses	<u>\$ 361,450</u>	<u>94.06</u>	<u>\$ 343,381</u>	<u>96.40</u>

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