

AMG International, Inc.
Financial Statements
For the Years Ended
December 31, 2017 and December 31, 2016

AMG International, Inc.
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For the Years Ended December 31, 2017 and December 31, 2016

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Independent Auditor's Report

To the Board of Trustees of
AMG International, Inc.
Chattanooga, TN

We have audited the accompanying financial statements of AMG International, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, changes in net assets 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 2 to the financial statements, management has elected not to consolidate the financial statements of its wholly owned subsidiary; AMG Publishers, Inc. and majority-owned subsidiary; St. Luke's Hospital. Accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of AMG International, Inc. as of December 31, 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.

Report on Summarized Comparative Information

We have previously audited AMG International's 2016 financial statements, and our report dated February 27, 2017, expressed a qualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yours very truly,

Whittington, Jones & Rudert

Whittington, Jones, & Rudert, CPA's, LLC
Rome, Georgia

February 7, 2018

AMG International, Inc.
Statements of Financial Position
December 31, 2017 and December 31, 2016

	<u>Operating</u>	<u>Non - Expendable Trust</u>	<u>Endowment Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Current Assets:					
Cash	\$ 604,303	\$ 98,265	\$ -	\$ 702,568	\$ 500,544
Due from Related Parties	138,378	-	-	138,378	214,365
Accrued interest income	-	-	3,354	3,354	-
Investments	877,186	1,594,345	1,515,155	3,986,686	3,807,087
Total Current Assets	<u>1,619,867</u>	<u>1,692,610</u>	<u>1,518,509</u>	<u>4,830,986</u>	<u>4,521,996</u>
Property and Equipment at Cost					
Less Accumulated Depreciation:	<u>228,326</u>	<u>-</u>	<u>-</u>	<u>228,326</u>	<u>244,469</u>
Other Assets:					
Investment in St. Luke's Hospital, Thessaloniki, Greece	2,848,993	-	-	2,848,993	2,273,993
AMG Publishers, Inc.	100,000	-	-	100,000	100,000
Note Receivable - Related Party	1,738,646	-	-	1,738,646	1,738,646
Note Receivable - Investments held at Generosity Trust	-	-	467,086	467,086	320,685
Intellectual Properties - less Accumulated Amortization	318,476	-	-	318,476	347,428
Investment in The Cosmovision Center	1,511,089	-	-	1,511,089	1,511,089
Dr. Zodiates Books	53,675	-	-	53,675	57,245
Other Real Estate	78,680	-	-	78,680	155,580
Total Other Assets	<u>6,649,559</u>	<u>-</u>	<u>467,086</u>	<u>7,116,645</u>	<u>6,504,666</u>
Total Assets	<u><u>\$ 8,497,752</u></u>	<u><u>\$ 1,692,610</u></u>	<u><u>\$ 1,985,595</u></u>	<u><u>\$ 12,175,957</u></u>	<u><u>\$ 11,271,131</u></u>

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

AMG International, Inc.
Statements of Financial Position
December 31, 2017 and December 31, 2016

	<u>Operating</u>	<u>Non - Expendable Trust</u>	<u>Endowment Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 289,868	\$ -	\$ -	\$ 289,868	\$ 191,478
Notes Payable - Due in One Year	138,065	-	-	138,065	138,065
Notes Payable - Investments held at Generosity Trust- Current Portion	92,100	-	-	92,100	26,499
Revocable Gifts and Annuity Contracts	-	634,437	-	634,437	636,265
Total Current Liabilities	<u>520,033</u>	<u>634,437</u>	<u>-</u>	<u>1,154,470</u>	<u>992,307</u>
Long-Term Liabilities:					
Notes Payable - Investments held at Generosity Trust - Less Current Portion .	195,400	-	-	195,400	-
Total Long-Term Liabilities	<u>195,400</u>	<u>-</u>	<u>-</u>	<u>195,400</u>	<u>-</u>
Total Liabilities	<u>715,433</u>	<u>634,437</u>	<u>-</u>	<u>1,349,870</u>	<u>992,307</u>
Net Assets:					
Without Donor Restrictions					
Undesignated	7,553,993	-	-	7,553,993	7,208,565
Equity in Property & Equipment	228,326	-	-	228,326	244,469
Board Designated	-	1,058,173	877,038	1,935,211	1,119,791
Total Unrestricted	<u>7,782,319</u>	<u>1,058,173</u>	<u>877,038</u>	<u>9,717,530</u>	<u>8,572,825</u>
With Donor Restrictions	<u>-</u>	<u>-</u>	<u>1,108,557</u>	<u>1,108,557</u>	<u>1,705,999</u>
Total Net Assets	<u>7,782,319</u>	<u>1,058,173</u>	<u>1,985,595</u>	<u>10,826,087</u>	<u>10,278,824</u>
Total Liabilities & Net Assets	<u>\$ 8,497,752</u>	<u>\$ 1,692,610</u>	<u>\$ 1,985,595</u>	<u>\$ 12,175,957</u>	<u>\$ 11,271,131</u>

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

AMG International, Inc.
Statements of Activities
For the Years Ended December 31, 2017 and December 31, 2016

	<u>Operating</u>	<u>Non- expendable Trust</u>	<u>Endowment Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Changes in net assets without donor restrictions:					
Support and Revenue:					
Contributions	\$ 5,819,883	\$ -	\$ -	\$ 5,819,883	\$ 5,912,704
Bequests and Legacies	476,702	-	-	476,702	479,567
Annuities and Gift Trusts	-	-	-	-	349,939
Investment Return	44,041	146,613	44,215	234,869	28,585
Loss on Sale of Donated Asset	(20,224)	-	-	(20,224)	-
Released from Restrictions	128,884	-	-	128,884	56,115
Income from Programmatic Investment	620,765	-	-	620,765	260,727
Other	8,018	-	-	8,018	7,349
Total Support and Revenue	<u>7,078,069</u>	<u>146,613</u>	<u>44,215</u>	<u>7,268,897</u>	<u>7,094,986</u>
Expenses					
Program Services:					
Children's Work & Relief	1,883,786	-	-	1,883,786	2,113,988
Radio & Television Evangelism	264,178	-	-	264,178	324,336
Missionary Projects and Support	3,592,240	-	-	3,592,240	3,934,700
Total Program Services	<u>5,740,204</u>	<u>-</u>	<u>-</u>	<u>5,740,204</u>	<u>6,373,024</u>
Supporting Services:					
General and Administrative	188,858	11,673	-	200,531	216,477
Cost for Generating Support	819,722	-	-	819,722	894,864
Total Supporting Services	<u>1,008,580</u>	<u>11,673</u>	<u>-</u>	<u>1,020,253</u>	<u>1,111,341</u>
Total Expenses	<u>6,748,784</u>	<u>11,673</u>	<u>-</u>	<u>6,760,457</u>	<u>7,484,365</u>
Increase in net assets without donor restrictions	<u>329,285</u>	<u>134,940</u>	<u>44,215</u>	<u>508,440</u>	<u>(389,379)</u>
Changes in net assets with donor restrictions:					
Contributions	-	-	12,151	12,151	294
Investment Return	-	-	155,556	155,556	86,163
Net assets released from restrictions	<u>(76,900)</u>	<u>-</u>	<u>(51,984)</u>	<u>(128,884)</u>	<u>(56,115)</u>
Increase in net assets with donor restrictions	<u>(76,900)</u>	<u>-</u>	<u>115,723</u>	<u>38,823</u>	<u>30,342</u>
Increase (Decrease) in Total Net Assets	252,385	134,940	159,938	547,263	(359,037)
Net Assets at Beginning of Year	<u>7,529,934</u>	<u>923,233</u>	<u>1,825,657</u>	<u>10,278,824</u>	<u>10,637,861</u>
Net Assets at End of Year	<u>\$ 7,782,319</u>	<u>\$ 1,058,173</u>	<u>\$ 1,985,595</u>	<u>\$ 10,826,087</u>	<u>\$ 10,278,824</u>

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

AMG International, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2017 and December 31, 2016

	December 31, 2017							
	Program Activities				Supporting Activities			
	Children's Work & Relief	Radio & Television Evangelism	Missionary Projects and Support	Total Program Services	General and Administrative	Cost for Generating Support	2017 Total	2016 Total
Ministry support	\$ 1,350,110	\$ 184,927	\$ 3,070,698	\$ 4,605,735	\$ -	\$ -	\$ 4,605,735	\$ 5,218,871
Salaries, taxes & benefits	198,716	49,226	233,587	481,529	527,560	328,371	1,337,460	1,340,788
Childcare projects	174,084	-	-	174,084	-	-	174,084	226,729
Office supplies & printing	-	-	8,868	8,868	42,033	72,489	123,390	143,479
Professional services	-	-	-	-	14,542	65,061	79,603	105,389
Bank charges	-	-	-	-	100	62,284	62,384	52,322
Promotions	-	-	2,620	2,620	-	49,127	51,747	71,867
Postage and freight	-	-	-	-	4,280	41,025	45,305	63,931
Insurance	-	-	-	-	37,391	-	37,391	39,299
Travel, meals & lodging	-	-	12,823	12,823	3,157	21,371	37,351	33,227
Other	-	-	2,687	2,687	22,664	9,143	34,494	14,889
Utilities	-	-	-	-	33,110	-	33,110	30,701
Amortization	-	-	-	-	28,952	-	28,952	28,952
Depreciation	-	-	-	-	22,338	-	22,338	25,600
Data processing	-	-	-	-	19,067	-	19,067	26,052
Repairs and maintenance	-	-	-	-	16,092	-	16,092	13,110
Interest	-	-	-	-	15,459	-	15,459	14,638
Telephone	-	-	-	-	14,385	-	14,385	12,872
Web expenses	-	-	2,100	2,100	-	8,100	10,200	12,559
Dues and subscriptions	-	-	-	-	8,117	-	8,117	5,740
Equipment rental	-	-	-	-	3,793	-	3,793	3,350
Allocated expenses	160,876	30,025	258,857	449,758	(612,509)	162,751	-	-
	<u>\$ 1,883,786</u>	<u>\$ 264,178</u>	<u>\$ 3,592,240</u>	<u>\$ 5,740,204</u>	<u>\$ 200,531</u>	<u>\$ 819,722</u>	<u>\$ 6,760,457</u>	<u>\$ 7,484,365</u>

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

AMG International, Inc.
Statements of Changes in Net Assets
For the Years Ended December 31, 2017 and December 31, 2016

	<u>Operating</u>	<u>Non - Expendable Trust</u>	<u>Endowment Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Net Assets - Beginning of Year	\$ 7,529,934	\$ 923,233	\$ 1,825,657	\$ 10,278,824	\$ 10,637,861
Changes in Net Assets	<u>252,385</u>	<u>134,940</u>	<u>159,938</u>	<u>547,263</u>	<u>(359,037)</u>
Net Assets - End of Year	<u><u>\$ 7,782,319</u></u>	<u><u>\$ 1,058,173</u></u>	<u><u>\$ 1,985,595</u></u>	<u><u>\$ 10,826,087</u></u>	<u><u>\$ 10,278,824</u></u>

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

AMG International, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2017 and December 31, 2016

	<u>Operating</u>	<u>Non - Expendable Trust</u>	<u>Endowment Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Cash Flows From Operating Activities:					
Change in Net Assets	\$ 252,385	\$ 134,940	\$ 159,938	\$ 547,263	\$ (359,037)
Adjustments to Reconcile Change in Net Cash Used by Operating Activities:					
Depreciation & amortization	51,290	-	-	51,290	54,552
Loss on sale of assets	20,374	-	-	20,374	-
Unrealized gains on investments	(22,056)	(138,758)	(159,938)	(320,752)	(81,008)
Non-cash contributions	(72,480)	-	-	(72,480)	-
(Increase) Decrease In:				-	
Accounts receivable	75,987	-	-	75,987	39,350
Prepaid & other assets	3,570	-	(3,354)	216	(8,064)
(Decrease) Increase In:				-	
Payables, accrued expenses, and advances	98,390	(1,828)	-	96,562	(183,979)
Net Cash Provided (Used) by Operating Activities	<u>407,460</u>	<u>(5,646)</u>	<u>(3,354)</u>	<u>398,460</u>	<u>(538,186)</u>
Cash Flows From Investing Activities:					
Repayment of loans	-	-	141,099	141,099	99,209
Loans to related companies	-	-	(287,500)	(287,500)	(350,000)
Proceeds from sale of assets	56,526	-	-	56,526	-
Proceeds from investments	-	1,207,329	264,354	1,471,683	1,138,115
Purchase of investments	(562,613)	(1,155,838)	(114,599)	(1,833,050)	(892,902)
Purchase of equipment	(6,195)	-	-	(6,195)	(3,144)
Net Cash Provided (Used) by Investment Activities	<u>(512,282)</u>	<u>51,491</u>	<u>3,354</u>	<u>(457,437)</u>	<u>(8,722)</u>
Cash Flows From Financing Activities:					
Repayment	(26,499)	-	-	(26,499)	(43,394)
New borrowings	287,500	-	-	287,500	-
Net Cash Provided (Used) by Financing Activities	<u>261,001</u>	<u>-</u>	<u>-</u>	<u>261,001</u>	<u>(43,394)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	156,179	45,845	-	202,024	(590,302)
Cash and Cash Equivalents at - Beginning of Year	<u>448,124</u>	<u>52,420</u>	<u>-</u>	<u>500,544</u>	<u>1,090,846</u>
Cash and Cash Equivalents at - End of Year	<u>\$ 604,303</u>	<u>\$ 98,265</u>	<u>\$ -</u>	<u>\$ 702,568</u>	<u>\$ 500,544</u>
Supplemental Cash Flow Information:					
Cash paid for interest	<u>\$ 532</u>	<u>\$ 11,673</u>	<u>\$ -</u>	<u>\$ 12,205</u>	<u>\$ 12,872</u>

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

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 1 – Description of the Organization

AMG International, Inc., Advancing the Ministries of the Gospel, is an interdenominational Christian mission agency ministering in over 30 countries worldwide. AMG's mission is to "advance with compassion the command of Christ to evangelize and make disciples around the world through national workers and in partnership with like-minded Christians." AMG provides child sponsorship, at-home ministries, international media ministries, mission volunteer opportunities, healthcare, newspaper evangelism, and support to worldwide missions and missionaries.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation:

The financial statements of AMG have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require AMG to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of AMG's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AMG or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting:

The financial statements of AMG have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Measure of Operations:

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to AMG's ongoing ministry and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents:

AMG's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentration of Risk:

Financial instruments, which potentially subject AMG to concentrations of credit risk, consist primarily of cash and cash equivalents, investment securities and notes receivable. Cash and cash equivalents include demand deposits totaling \$702,568 and \$500,544 at December 31, 2017 and 2016 respectively, at a high credit quality financial institution. These deposits possess credit risk to the extent they exceed federally insured limits. AMG has not experienced, nor does it anticipate, any losses with respect to such accounts.

The exposure to concentrations of credit risk relative to investment securities is limited due to AMG's investment objectives and policies, as adopted by its Board of Directors. The investment policies prohibit the acquisition of certain securities and require, among other things, that securities be diversified and meet certain quality criteria.

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Related Party:

AMG Publishers, Inc. is a wholly owned for-profit corporation, which sells books, Bibles, reference books, auditory and E-books.

Amounts reported as due from related parties, included in the accompanying statements of financial position, arise principally from the collaborative activities between AMG International and AMG Publishers to further the mission of the organization.

Property and Equipment:

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the individual assets using the straight line method as follows: Computer hardware and software, furniture and equipment, 3 to 7 years and building improvements, 15 years. AMG's policy is to capitalize all items with a unit cost in excess of \$2,500. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are eliminated from the assets and accumulated depreciation accounts and gains or losses from disposals are included in the statement of activities. AMG's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Investments:

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value Measurement:

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritized investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). AMG groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions:

Contributions received are recorded as net assets without restrictions or net assets with donor restrictions, depending on the existence and /or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated Property and Services:

Donated investments and other non-cash donations are recorded as contributions at their fair values at the date of donation.

AMG receives various donated services that range from limited participation of individuals in administrative services of foreign projects to active participation in AMG's various programs and activities. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under Financial Accounting Standards Codification Statement for Accounting for Contributions Received and Contributions Made.

Functional Expenses:

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis that is based on where time and efforts are made and benefits are received.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes:

AMG is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. AMG has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. In addition, AMG qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). No provision has been made for income taxes in the financial statements. Management believes AMG does not have any unrelated business income that would be subject to taxation, or other uncertain tax positions. The tax years ended in 2016, 2015 and 2014 are still open to examination for both federal and state purposes.

Reclassifications:

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

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement:

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. AMG has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Affiliated Organizations:

AMG is affiliated with other organizations located in Canada, Greece, Germany, and Holland. AMG International acts as agent for AMG Canada and the agencies overseas served by AMG Canada. AMG International certifies that funds received have been disbursed as designated. These affiliated organizations' activities are reflected in the financial statements only to the extent that contributions are made to AMG International sponsored foreign programs.

Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted account principles. Accordingly, such information should be read in conjunction with AMG's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Financial Statement Presentation:

Management has elected not to consolidate with AMG the financial statements of AMG Publishers, Inc., which is a wholly owned for-profit subsidiary corporation. The carrying value of the investment in AMG Publishers, Inc. is \$100,000 which is the cost basis of the stock. Generally accepted accounting principles of the United States require consolidated financial statements whenever a company has a controlling financial interest in the voting stock of another company. Generally, a company has controlling interest in another company if it owns more than fifty percent of the outstanding shares of that company. Management has determined that separate reporting better facilitates financial reporting for federal and state requirements.

AMG has a programmatic investment in a hospital and a ministry center both located in Greece.

The organization owns 98.42% of the stock in St. Luke's Hospital in Thessaloniki, Greece. St. Luke's is a 240 bed, fully equipped hospital serving the physical and spiritual needs of the residents of Greece and adjacent countries. Management has elected not to consolidate with AMG the financial statements of St. Luke's Hospital, which is a majority owned for-profit entity. AMG carries St. Luke's on the cash basis at a cost of \$2,848,993.

AMG also owns 100% of the CosmoVision Center located in Athens, Greece. This complex serves as a center for youth outreach for Greece's evangelical minority. The CosmoVision Center is also home to the Zodiates International Center of New Testament Studies. This ministry emphasis provides facilities where individuals, Christian university students, and seminary students can come and study the language, culture, and lands of the New Testament through a variety of programs. AMG carries CosmoVision Center at historical cost of \$1,511,089. The fair value of this investment is not estimated, as it is not practicable to estimate the fair value of it.

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Impairment:

Long-lived assets, such as property and equipment and programmatic investments carried at cost, are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset might not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. In the opinion of management, no long-lived assets were impaired as of December 31, 2017.

Note 3 - Availability and Liquidity

The following represents AMG's financial assets at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 702,568	\$ 500,544
Investments	<u>3,986,686</u>	<u>3,808,087</u>
Total financial assets	4,689,254	4,308,631
Less amounts not available to be used within one year:		
Net Assets with donor restrictions	<u>1,108,557</u>	<u>1,705,999</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,580,697</u>	<u>\$ 2,602,632</u>

AMG has a goal to maintain cash and cash equivalents on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$864,000. AMG prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Quarterly meetings are held to review internal financial statements and budget to actual comparisons. AMG does not commit to expenditures if cash is not available to pay the expenditures.

Note 4 - Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the financial statements. Unrealized gains and losses are included in the change in net assets.

The following is a summary of investments at December 31, 2017:

	<u>2017</u>
Cash and equivalents	\$ 702,568
Stocks	666,255
Stock Equity Funds	803,400
Money Funds	858,898
Real Estate Investment Trusts	81,367
Bond Funds	307,254
Exchange Traded Funds	146,838
Pooled Investment Account	<u>1,122,674</u>
	<u>\$ 4,689,254</u>

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 4 – Investments (continued)

The return on investments for 2017 is as follows:

	Operating Investments	Annuity & Gift Trust Investments	Endowment Investments Donor Designated	Board Designated	Total
Interest and dividend income	\$ 19,308	\$ 35,325	\$ 38,259	\$ 18,726	\$ 111,618
Net unrealized and realized gains (losses)	24,733	138,517	130,895	28,679	322,824
Management fees and other costs	-	(27,229)	(13,598)	(3,190)	(44,017)
Total return on investments	<u>\$ 44,041</u>	<u>\$ 146,613</u>	<u>\$ 155,556</u>	<u>\$ 44,215</u>	<u>\$ 390,425</u>

Note 5 – Property and Equipment, Net

Property and Equipment, net consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 143,729	\$ 143,729
Building	907,204	901,010
Furniture & Equipment	446,451	446,451
Autos	37,796	37,796
	<u>1,535,180</u>	<u>1,528,986</u>
Accumulated Depreciation	<u>(1,306,854)</u>	<u>(1,284,517)</u>
	<u>\$ 228,326</u>	<u>\$ 244,469</u>

Depreciation expense for the years ended December 31, 2017 and December 31, 2016 was \$22,338 and \$25,600, respectively.

Note 6 – Lease Commitments

AMG has leased equipment with a term of 60 months. For years subsequent to 2017, minimum annual future rental commitments under the lease agreements are as follows:

2018	\$ 40,918
2019	21,965
2020	8,375
2021	-
2022	-
	<u>\$ 71,258</u>

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 7 – Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Term Endowment Fund	\$ 1,108,557	\$ 1,705,999
Total Net Assets With Donor Restrictions	\$ 1,108,557	\$ 1,705,999

Net assets without donor restrictions for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Undesignated	\$ 7,553,993	\$ 7,208,565
Equity in Property and Equipment	228,326	244,469
Endowment Board Designated	877,038	832,823
Designated by the Board	1,058,173	286,968
Total Net Assets Without Donor Restrictions	\$ 9,717,530	\$ 8,572,825

Note 8 – Retirement Plan

AMG offers a 401(k) retirement plan for all employees completing 1,000 hours of employment per year. Eligibility for the plan is age 21 or older and one year of employment. Entrance into the plan begins on the January 1 nearest the employee's one-year anniversary date. Contributions to the plan totaled \$66,824 for 2017 and \$83,824 for 2016.

Note 9 – Advertising

AMG follows the policy of charging costs of advertising to expenses as incurred. During 2017, advertising costs totaled approximately \$51,747.

Note 10 – Books and Bibles

During 2010, AMG purchased Dr. Zodiates' personal library of books and Bibles. They were valued at \$53,675 and \$57,295 for the years ended December 31, 2017 and 2016 respectively.

Note 11– Fair Value of Financial Instruments

AMG applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value 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. AMG's financial instruments are cash and cash equivalents, investments, notes receivable, unearned revenue, accounts payable, accrued expenses, notes payable, and obligations related to the revocable gifts and annuity contracts. The recorded values of cash and cash equivalents, unearned revenue, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes receivable, notes payable, and obligations related to the revocable gifts and annuity contracts approximate their fair values, as interest approximates market rates. The following table presents the financial instruments carried at fair value as of December 31, 2017 and 2016 by caption on the statement of financial position by the valuation hierarchy defined above:

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 11– Fair Value of Financial Instruments (continued)

Fair Value Measurements at December 31, 2017 and 2016 Using:

Assets	<u>2017</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)
Operating Fund:			
Stocks and Mutual Funds	\$ 877,186	\$ 877,186	\$ -
Endowment Fund:			
Cash & Equivalents	392,481	392,481	-
Shares in Pooled acct	1,122,674	-	1,122,674
Gift Trust and Annuity Funds:			
Stocks and Money Market	<u>1,594,345</u>	<u>1,594,345</u>	<u>-</u>
Total Investments	<u>\$ 3,986,686</u>	<u>\$ 2,864,012</u>	<u>\$ 1,122,674</u>

Assets	<u>2016</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)
Operating Fund:			
Stocks and Mutual Funds	\$ 795,037	\$ 795,037	\$ -
Endowment Fund:			
Cash & Equivalents	268,397	268,397	-
Shares in Pooled acct	1,236,575	-	1,236,575
Gift Trust and Annuity Funds:			
Stocks and Money Market	<u>1,507,078</u>	<u>1,507,078</u>	<u>-</u>
Total Investments	<u>\$ 3,807,087</u>	<u>\$ 2,570,512</u>	<u>\$ 1,236,575</u>

Note 12 – Intellectual Property:

AMG has obtained the right to Dr. Zodiates literary works that are being amortized using the straight-line method over the estimated useful life of 20 years.

	<u>2017</u>	<u>2016</u>
Intellectual Property		
Cost	\$ 579,048	\$ 579,048
Accumulated Amortization	<u>(260,572)</u>	<u>(231,620)</u>
Total	<u>\$ 318,476</u>	<u>\$ 347,428</u>

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 13 – Related Party Transactions:

Notes Receivable consisted of a promissory note issued by AMG Publisher’s, Inc. for the purchase of assets.

	2017	2016
Promissory note issued by AMG Publishers, Inc. to AMG International for the purchase price of assets.	\$1,738,646	\$ 1,738,646

AMG provides office and warehouse space and administrative support and oversight to AMG Publisher’s, Inc. For the years ended December 31, 2017 and 2016, AMG allocated and charged AMG Publisher’s, Inc. \$131,513 and \$208,004 respectively.

Note 14 – Line of Credit:

AMG has a line of credit not to exceed \$558,000 at any one time for the purpose of short-term working capital with Branch Banking & Trust Company. Interest is due monthly, computed at the bank’s one month LIBOR + 3%. . For the years ended December 31, 2017 and 2016 the outstanding loan balance was carried on the books of the wholly owned subsidiary, AMG Publishers and the balance was \$358,282 and \$182,381 respectively.

Note 15 – Notes Payable:

Notes payable at December 31 consisted of the following:

	2017	2016
Ted Spriopoulos - 0% interest	\$ 138,065	\$ 138,065

Note 16 – Split Interest Agreements:

Split interest gift agreements consist primarily of gift trusts and charitable gift annuities for which AMG is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The value of split interest assets included in the investments at December 31, 2017 and December 31, 2016 were \$1,594,345 and \$1,507,078, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Discount rates range from 3.2% to 10.6%. The liability for the present value of deferred gifts of \$634,437 and \$636,265 at December 31, 2017 and December 31, 2016, respectively, is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

AMG International, Inc.
Notes to the Financial Statements
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Note 17 – Notes Payable – Related to Investments Held at Generosity Statement:

Notes payable at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable to The Generosity Trust, due September 15, 2021, payable in annual installments of \$103,600, including interest at 4%.	\$ 287,500	\$ -
Note payable to The Generosity Trust, due July 1, 2017, payable in monthly installments of \$3,867 including interest at 6%.	-	26,499
	<u>287,500</u>	<u>26,499</u>
Less: Current Portion	<u>(92,100)</u>	<u>(26,499)</u>
Long Term Portion of Notes Payable	<u>\$ 195,400</u>	<u>\$ -</u>

The following are maturities of mortgage notes payable for each of the next five years ending:

2018	\$ 92,100
2019	95,784
2020	99,616
2021	-
2020	-
	<u>\$ 287,500</u>

Note 18 – Canadian Contributions:

Canadian funds contributions were received as follows:
(reported in Canadian Dollars)

	<u>2017</u>	<u>2016</u>
Bundles of Love	\$ 2,266	\$ 2,425
Child Care Ministry	28,795	37,338
Disaster Relief	1,067	5,317
Leprosy	3,937	4,012
Medical	347	-
Ministry Projects	2,900	1,453
Missionaries	10,390	22,925
Newspaper Evangelism	453	3,188
National Workers	4,126	6,135
St. Luke's Hospital	-	339
Sales	852	605
World Wide Missions	<u>11,328</u>	<u>30,395</u>
Total Contributions	<u>\$ 66,461</u>	<u>\$ 114,132</u>

AMG International, Inc.
Notes to the Financial Statements
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Note 19 - Endowment Funds

AMG's endowment consists of a number of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

AMG is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of AMG has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulated the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, AMG considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. AMG has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, AMG considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of AMG

Endowment Net Asset composition by type of fund as of December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 877,038	\$ -	\$ 877,038
Donor-restricted endowment funds:			
Term endowment	-	1,108,557	1,108,557
Total funds	<u>\$ 877,038</u>	<u>\$ 1,108,557</u>	<u>\$ 1,985,595</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 832,823	\$ 992,834	\$ 1,825,657
Investment return, net	44,215	155,556	199,771
Contributions	-	12,151	12,151
Amounts appropriated for expenditure	-	(51,984)	(51,984)
Endowment net assets, end of year	<u>\$ 877,038</u>	<u>\$ 1,108,557</u>	<u>\$ 1,985,595</u>

AMG International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 19 – Endowment Funds (continued)

Return Objectives and Risk Parameters:

The Organization has not adopted formal investment and spending policies for endowment assets. The assets are invested in a Ministry Endowment fund at Generosity Trust. The assets are invested in an attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. 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 the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. AMG does not have a stated annual average rate of return. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives:

To satisfy its long-term objectives, AMG 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). AMG targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

AMG has a policy of appropriating for distribution each year the amount necessary to fund the supported children and national workers. In establishing this policy, AMG considered the long-term expected return on its endowment. Accordingly, over the long term, AMG expects the current spending policy to allow its endowment to grow at an acceptable rate annually.

Note 20 – Subsequent Events

Management has evaluated events and transactions that occurred through February 7, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No subsequent events were noted by AMG.