

LIFESONG FOR ORPHANS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lifesong for Orphans, Inc.
Gridley, Illinois

We have audited the accompanying financial statements of **Lifesong for Orphans, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, 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 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 Lifesong for Orphans, Inc. as of June 30, 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.

Koch Consultants, Ltd.

December 23, 2016

LIFESONG FOR ORPHANS, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash	\$ 3,844,106	\$ 3,302,987
Mission field advances	348,301	140,049
Certificates of deposit	3,250,092	3,252,803
Contributions receivable	250,000	-
Receivable from TMG Foundation (a related party)	152,635	213,449
Prepaid expenses and other	144,091	127,594
Notes receivable	196,266	255,845
Property and equipment, net	8,358,531	7,212,805
	<u>\$ 16,544,022</u>	<u>\$ 14,505,532</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 98,560	\$ 48,173
Accrued expenses and other	47,062	26,594
Notes payable	172,397	223,000
	<u>318,019</u>	<u>297,767</u>
Net assets		
Unrestricted	8,645,601	7,356,971
Temporarily restricted	7,580,402	6,850,794
	<u>16,226,003</u>	<u>14,207,765</u>
	<u>\$ 16,544,022</u>	<u>\$ 14,505,532</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
General contributions	\$ 2,139,227	\$ 13,230,160	\$ 15,369,387
Contributions from TMG Foundation	846,081	57,020	903,101
Sustainable business income	288,316	-	288,316
Other income (loss)	(17,790)	329	(17,461)
NET ASSETS RELEASED FROM RESTRICTIONS	12,557,901	(12,557,901)	-
	<hr/>		
	15,813,735	729,608	16,543,343
	<hr/>		
EXPENSES			
Program services	13,048,541	-	13,048,541
Supporting activities			
Management and general	716,023	-	716,023
Fund raising	760,541	-	760,541
	<hr/>		
	1,476,564	-	1,476,564
	<hr/>		
	14,525,105	-	14,525,105
	<hr/>		
CHANGE IN NET ASSETS	1,288,630	729,608	2,018,238
NET ASSETS - BEGINNING	7,356,971	6,850,794	14,207,765
	<hr/>		
NET ASSETS - ENDING	\$ 8,645,601	\$ 7,580,402	\$ 16,226,003
	<hr/>		

See accompanying notes.

2015

Unrestricted	Temporarily Restricted	Total
\$ 1,601,368	\$ 12,408,323	\$ 14,009,691
637,996	84,053	722,049
270,521	-	270,521
15,852	378	16,230
11,360,700	(11,360,700)	-
<hr/>		
13,886,437	1,132,054	15,018,491
<hr/>		
11,464,824	-	11,464,824
619,579	-	619,579
633,492	-	633,492
<hr/>		
1,253,071	-	1,253,071
<hr/>		
12,717,895	-	12,717,895
<hr/>		
1,168,542	1,132,054	2,300,596
6,188,429	5,718,740	11,907,169
<hr/>		
\$ 7,356,971	\$ 6,850,794	\$ 14,207,765
<hr/> <hr/>		

LIFESONG FOR ORPHANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Adoption Assistance	Orphan Care	Foster Care	Sustainable Business
Salaries and wages	\$ 186,607	\$ 1,682,312	\$ 63,405	\$ 199,417
Employee benefits	23,201	32,596	5,156	-
Payroll taxes	12,424	45,820	4,745	4,748
	<hr/> 222,232	<hr/> 1,760,728	<hr/> 73,306	<hr/> 204,165
Grants and allocations	94,261	898,005	8,027	-
Specific assistance	6,327,752	-	-	-
Professional fees	117,419	55,364	2,116	-
Office expenses	12,427	28,420	7,474	16,897
Ministry supplies and services	31,910	1,459,951	81,065	221,121
Occupancy	17,102	81,102	21,990	6,733
Conferences and training	9,284	13,646	13,226	-
Travel	15,196	142,179	11,777	67,809
Marketing and development	351	4,811	3,510	-
Miscellaneous	-	21,590	-	7,037
Depreciation	12,915	342,746	1,333	198,475
	<hr/> <hr/> \$ 6,860,849	<hr/> <hr/> \$ 4,808,542	<hr/> <hr/> \$ 223,824	<hr/> <hr/> \$ 722,237

See accompanying notes.

Mission Trips	Donor Advised Fund	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 19,428	\$ -	\$ 2,151,169	\$ 431,323	\$ 387,506	\$ 818,829	\$ 2,969,998
326	-	61,279	47,864	56,110	103,974	165,253
-	-	67,737	43,284	28,411	71,695	139,432
19,754	-	2,280,185	522,471	472,027	994,498	3,274,683
20,271	24,890	1,045,454	-	-	-	1,045,454
-	-	6,327,752	-	-	-	6,327,752
-	-	174,899	59,979	27,187	87,166	262,065
3,380	-	68,598	71,280	56,093	127,373	195,971
12,187	-	1,806,234	-	-	-	1,806,234
118	-	127,045	16,365	13,807	30,172	157,217
-	-	36,156	6,166	5,455	11,621	47,777
352,489	-	589,450	12,484	122,254	134,738	724,188
-	-	8,672	16,300	57,261	73,561	82,233
-	-	28,627	-	-	-	28,627
-	-	555,469	10,978	6,457	17,435	572,904
<u>\$ 408,199</u>	<u>\$ 24,890</u>	<u>\$ 13,048,541</u>	<u>\$ 716,023</u>	<u>\$ 760,541</u>	<u>\$ 1,476,564</u>	<u>\$ 14,525,105</u>

LIFESONG FOR ORPHANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Adoption Assistance	Orphan Care	Foster Care	Sustainable Business
Salaries and wages	\$ 177,055	\$ 1,234,881	\$ 46,744	\$ 191,541
Employee benefits	24,692	82,092	1,824	17,410
Payroll taxes	11,757	61,166	3,398	6,523
	<hr/> 213,504	<hr/> 1,378,139	<hr/> 51,966	<hr/> 215,474
Grants and allocations	77,109	1,607,625	250	1,000
Specific assistance	5,265,419	-	-	-
Professional fees	39,017	40,515	1,184	4,771
Office expenses	16,463	62,453	7,733	64,525
Ministry supplies and services	7,281	793,118	52,854	130,480
Occupancy	14,484	185,061	7,174	22,654
Conferences and training	13,865	17,745	15,915	-
Travel	30,584	220,266	6,148	60,530
Marketing and development	-	1,813	1,469	-
Miscellaneous	-	5,789	-	9,912
Depreciation	12,406	411,847	2,347	-
	<hr/> <hr/> \$ 5,690,132	<hr/> <hr/> \$ 4,724,371	<hr/> <hr/> \$ 147,040	<hr/> <hr/> \$ 509,346

See accompanying notes.

Mission Trips	Donor Advised Fund	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 15,650	\$ -	\$ 1,665,871	\$ 386,556	\$ 341,946	\$ 728,502	\$ 2,394,373
-	-	126,018	43,182	54,921	98,103	224,121
-	-	82,844	28,717	24,998	53,715	136,559
15,650	-	1,874,733	458,455	421,865	880,320	2,755,053
50	19,779	1,705,813	-	-	-	1,705,813
-	-	5,265,419	-	-	-	5,265,419
-	-	85,487	46,362	6,049	52,411	137,898
3,894	-	155,068	32,006	64,172	96,178	251,246
4,990	-	988,723	-	-	-	988,723
1,743	-	231,116	18,671	14,539	33,210	264,326
49	-	47,574	15,738	1,900	17,638	65,212
347,045	-	664,573	27,364	91,481	118,845	783,418
735	-	4,017	10,254	26,780	37,034	41,051
-	-	15,701	-	-	-	15,701
-	-	426,600	10,729	6,706	17,435	444,035
<u>\$ 374,156</u>	<u>\$ 19,779</u>	<u>\$ 11,464,824</u>	<u>\$ 619,579</u>	<u>\$ 633,492</u>	<u>\$ 1,253,071</u>	<u>\$ 12,717,895</u>

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,018,238	\$ 2,300,596
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	572,904	444,035
Contributions restricted for property and equipment	(602,408)	(1,449,240)
(Gain) loss on disposal of property and equipment	54,657	(1,062)
Forgiveness of notes receivable	8,600	3,000
In-kind donations received	(248,892)	(45,763)
In-kind donations used in programs	57,082	45,763
(Increase) decrease in operating assets		
Contributions receivable	(250,000)	-
Receivable from TMG Foundation	60,814	(60,409)
Prepaid expenses and other	(16,497)	(67,260)
Advances for field missions	(5,134,982)	(3,631,928)
Advances used in field missions	4,926,730	3,706,867
Increase (decrease) in operating liabilities		
Accounts payable	50,387	(13,016)
Accrued expenses and other	20,468	(35,457)
	1,517,101	1,196,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(1,592,722)	(1,586,732)
Proceeds from disposal of property and equipment	11,245	3,256
Purchases of certificates of deposit	(2,500,000)	(1,962)
Maturities of certificates of deposit	2,502,711	1,003,921
Notes receivable advances	(78,571)	(124,933)
Notes receivable repayments received	129,550	112,343
	(1,527,787)	(594,107)

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for property and equipment	\$ 602,408	\$ 1,449,240
Repayments made on notes payable	(50,603)	-
	551,805	1,449,240
Net cash provided by financing activities	551,805	1,449,240
INCREASE (DECREASE) IN CASH	541,119	2,051,259
CASH AT BEGINNING OF YEAR	3,302,987	1,251,728
CASH AT END OF YEAR	\$ 3,844,106	\$ 3,302,987
 SUPPLEMENTAL DATA		
In-kind contributions of property received	\$ 191,810	\$ -
Property acquired through issuance of notes payable	-	223,000

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Lifesong for Orphans, Inc. (Lifesong) is a nonprofit organization formed to advance the extension of the Kingdom of God throughout the world; to provide charitable assistance to orphans; and to assist other religious and charitable organizations in the fulfillment of similar purposes. Currently, Lifesong's work is focused on the following:

- Providing grants and loans to assist in the adoption of orphans by Christian families; providing post-adoption assistance including literature, counseling and training
- Providing support to orphans throughout the world, including –
 - Humanitarian aid to orphanages and to other organizations supporting orphans
 - Establishing schools, transition homes and other living quarters
 - Biblical training in orphanages
 - Currently, locations include Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, Honduras, India, Kenya, Liberia, Mexico, Tanzania, Uganda, Ukraine, and Zambia
- Develop sustainable businesses to provide job opportunities for orphans and their caretakers and job skill training to prepare orphans for their future role in society
- Educating, equipping and supporting mentors to meet the needs of the foster care community
- Coordination of short-term mission trips to project locations

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. Lifesong's financial statement presentation reports information regarding its net assets and changes therein according to three classes: unrestricted, temporarily restricted, and permanently restricted. Lifesong currently has no permanently restricted net assets.

Restricted and Unrestricted Support and Revenue

Contributions are recognized as revenue when the donor makes a promise to give to Lifesong that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or when the purpose of the 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.

When received, gifts of land, buildings and equipment are reported as unrestricted support unless donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor restrictions regarding the length of time those long-lived assets must be maintained, Lifesong reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash, Mission Field Advances and Certificates of Deposit

For purposes of the statement of cash flows, Lifesong considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2016 and 2015, Lifesong held no cash equivalents. Lifesong maintained deposits with financial institutions that collectively exceeded the FDIC insured limit by approximately \$9,200 and \$10,800 as of June 30, 2016 and 2015, respectively. Management has determined collateral protection above the FDIC insurance limit is not necessary.

Periodically, Lifesong advances cash to missionary employees serving orphans at project locations. The missionaries file monthly reports with Lifesong's USA office showing uses of the funds and provide documentation for purchases following guidelines established by Lifesong management. All such foreign activity is included in these financial statements. Advances outstanding as of June 30, 2016 and 2015 totaled \$348,301 and \$140,049, respectively.

Certificates of deposit are recorded at cost which approximates fair value.

Promises to Give

Unconditional promises to give are recognized as contribution receivables and revenues in the period in which Lifesong is notified by the donor (or the donor's estate) of his or her commitment to contribute. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Lifesong uses the allowance method to determine uncollectible unconditional promises to give. The allowance is evaluated on a regular basis by management and is based on historical experience and analysis of specific promises made. Contributions receivable of \$250,000 and \$0 as of June 30, 2016 and 2015, respectively, represent unconditional promises to give to Lifesong. Management considers contributions receivable to be fully collectible within one year. Conditional promises as of June 30, 2016 (for which conditions have not been substantially met) totaled \$405,000 and related to the Haiti project location.

Notes Receivable

Lifesong has entered "covenant agreements" with Christian families who have adopted orphans. The agreements (recorded at face value) are unsecured, interest-free loans that assist the families with paying adoption expenses; repayment terms are on a covenant basis, as the Lord provides for the families. However, in establishing the covenant amounts, Lifesong management is aware of the federal tax refunds each family can reasonably expect (because of the federal adoption tax credit) and believes these refunds will provide the families with readily available resources for repayment.

Because of the nature of these agreements, a relatively small allowance for doubtful accounts has been established totaling \$12,500 and \$16,400 as of June 30, 2016 and 2015, respectively. Management believes all other agreements are fully collectible. When an agreement is deemed uncollectible, it is simply forgiven. During the years ended June 30, 2016 and 2015, agreements totaling \$8,600 and \$3,000, respectively, were forgiven. Management bases its decisions regarding collectability on historical experience and specific knowledge regarding the finances of the families involved.

As of June 30, 2016 and 2015, these agreements are expected to be collected as follows:

	2016	2015
During the year ended -		
June 30, 2016	\$ -	\$ 187,362
June 30, 2017	140,529	84,883
June 30, 2018	68,237	-
Less allowance for doubtful accounts	<u>(12,500)</u>	<u>(16,400)</u>
	<u>\$ 196,266</u>	<u>\$ 255,845</u>

Property and Equipment

Property and equipment is stated at cost. When received, donated assets are capitalized at their estimated fair values at the date of receipt. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Office equipment	5 to 7 years
Transportation equipment	5 years
Buildings and improvements	40 years
Land improvements	10 to 20 years
Leasehold improvements	40 years

Management reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Depreciation was \$572,904 and \$444,035 during the years ended June 30, 2016 and 2015, respectively.

Income Taxes

Lifesong is a charitable organization as defined in Internal Revenue Code Section 501(c)(3) and is therefore exempt from the payment of income taxes. Lifesong is subject to a tax on income from any unrelated business activities. Management has analyzed tax positions taken and believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on Lifesong's financial position, activities or cash flows. Accordingly, Lifesong has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2016 or 2015. Lifesong is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Lifesong believes it is no longer subject to income tax examinations for years prior to 2013.

Subsequent Events

Lifesong has evaluated subsequent events through December 23, 2016, the date which the financial statements were available to be issued. Lifesong has not identified any subsequent events requiring disclosure in these financial statements.

NOTE 2. CERTIFICATES OF DEPOSIT

Certificates of deposit have the following maturity dates as of June 30, 2016 and 2015:

	2016	2015
During the year ended -		
June 30, 2016	\$ -	\$ 2,502,711
June 30, 2017	750,092	750,092
June 30, 2018	-	-
June 30, 2019	2,500,000	-
	<u>\$ 3,250,092</u>	<u>\$ 3,252,803</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015 consists of:

	2016	2015
United States -		
Transportation equipment	\$ 14,000	\$ 14,000
Other equipment	196,342	182,622
Leasehold improvements	356,033	356,033
Accumulated depreciation	(189,636)	(157,240)
	<u>376,739</u>	<u>395,415</u>

Property and equipment, continued:

	2016	2015
Bolivia -		
Transportation equipment	\$ 17,000	\$ 17,000
Other equipment	28,241	-
Accumulated depreciation	(10,834)	(3,400)
	<u>34,407</u>	<u>13,600</u>
Ethiopia -		
Land	39,341	39,341
Land improvements	113,365	113,365
Buildings and improvements	530,274	530,274
Transportation equipment	76,752	55,324
Other equipment	101,832	96,282
Accumulated depreciation	(190,804)	(141,402)
	<u>670,760</u>	<u>693,184</u>
Guatemala -		
Land	504,909	397,216
Land improvements	197,949	188,749
Buildings and improvements	259,584	255,777
Transportation equipment	62,188	56,135
Other equipment	52,863	52,378
Accumulated depreciation	(109,539)	(73,135)
	<u>967,954</u>	<u>877,120</u>
Haiti -		
Land	85,202	-
Land improvements	57,516	-
Buildings and improvements	67,173	-
Transportation equipment	145,030	-
Other equipment	215,941	-
Accumulated depreciation	(64,696)	-
	<u>506,166</u>	<u>-</u>
Honduras -		
Transportation equipment	-	19,552
Other equipment	-	44,195
Accumulated depreciation	-	(10,302)
	<u>-</u>	<u>53,445</u>

Property and equipment, continued:

	2016	2015
India -		
Buildings and improvements	\$ 421,272	\$ 393,239
Transportation equipment	25,258	25,258
Other equipment	36,627	34,778
Accumulated depreciation	<u>(131,650)</u>	<u>(118,753)</u>
	<u>351,507</u>	<u>334,522</u>
Liberia -		
Land	52,500	52,500
Land improvements	27,403	27,403
Buildings and improvements	105,420	100,394
Transportation equipment	15,250	15,250
Other equipment	34,704	30,973
Accumulated depreciation	<u>(51,205)</u>	<u>(38,651)</u>
	<u>184,072</u>	<u>187,869</u>
Ukraine -		
Land	468,062	416,680
Land improvements	282,945	249,952
Buildings and improvements	1,504,411	1,491,712
Transportation equipment	384,768	384,768
Other equipment	842,538	444,919
Accumulated depreciation	<u>(879,566)</u>	<u>(706,301)</u>
	<u>2,603,158</u>	<u>2,281,730</u>
Zambia -		
Land	714,313	620,450
Land improvements	207,143	176,311
Buildings and improvements	1,478,455	1,224,897
Transportation equipment	357,223	339,654
Other equipment	399,153	345,022
Accumulated depreciation	<u>(492,519)</u>	<u>(330,414)</u>
	<u>2,663,768</u>	<u>2,375,920</u>

Property and equipment, continued:

	2016	2015
Grand totals -		
Land	\$ 1,864,327	\$ 1,526,187
Land improvements	886,321	755,780
Buildings and improvements	4,366,589	3,996,293
Transportation equipment	1,097,469	926,941
Other equipment	1,908,241	1,231,169
Leasehold improvements	356,033	356,033
Accumulated depreciation	<u>(2,120,449)</u>	<u>(1,579,598)</u>
	<u>\$ 8,358,531</u>	<u>\$ 7,212,805</u>

NOTE 4. NOTES PAYABLE

During the year ended June 30, 2015, Lifesong finalized a rent-to-own agreement to acquire property in Guatemala. Under the agreement, Lifesong must pay \$49,000 annually towards the principal (note payable) and \$9,000 annually for rental use of the property. If Lifesong defaults prior to making its final payment on the note payable, the property reverts back to the seller. The property (land), totaling \$417,216, is presented as part of property and equipment in the statement of financial position. Principal payments required to retire future maturities of the note payable for the next five years are as follows:

	2016	2015
During the year ended -		
June 30, 2016	\$ -	\$ 49,000
June 30, 2017	49,000	49,000
June 30, 2018	49,000	49,000
June 30, 2019	49,000	49,000
June 30, 2020	<u>25,397</u>	<u>27,000</u>
	<u>\$ 172,397</u>	<u>\$ 223,000</u>

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 are restricted for the following purposes:

	2016	2015
Adoption assistance - specific Church and family funds	\$ 5,432,784	\$ 5,362,763
Indigenous adoptions - Ukraine	20,502	21,003
Orphan care - various countries	1,482,029	1,307,178
Orphan care - missionaries	76,314	101,364
Sustainable business development	442,858	-
Foster care	93,390	58,486
Mission trips	32,525	-
	<u>\$ 7,580,402</u>	<u>\$ 6,850,794</u>

During the years ended June 30, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2016	2015
Adoption assistance - specific Church and family funds	\$ 6,532,467	\$ 5,535,232
Indigenous adoptions - Ukraine	55,931	35,295
Orphan care - various countries	3,702,246	3,316,481
Orphan care - missionaries	726,399	571,885
Sustainable business development	184,382	611,998
Foster care	235,853	177,441
Mission trips	428,866	367,913
Donor-advised fund	24,890	19,779
Leasehold improvements - US office	-	84,053
Payment of management, general and fund raising costs	666,867	640,623
	<u>\$ 12,557,901</u>	<u>\$ 11,360,700</u>

NOTE 6. DONOR-ADVISED FUND

Over several years, donors within the same extended family have contributed a total of \$467,347 to Lifesong with the restriction of establishing a donor-advised fund in the name of the family. According to the family’s wishes, Lifesong forwards money received to a donor-advised fund at National Christian Charitable Foundation, Inc. (NCF), a charitable organization as defined in Internal Revenue Code Section 501(c)(3). A member of this family and Lifesong’s board president serve jointly as advisors of this donor-advised fund. This fund is established in furtherance of NCF’s mission which is to enable faithful stewards to give wisely to further the Gospel of Jesus Christ.

During the years ended June 30, 2016 and 2015, Lifesong received \$24,890 and \$19,779, respectively, from family members and transferred \$24,890 and \$19,779, respectively, to NCF. Also during the years ended June 30, 2016 and 2015, NCF (through this donor-advised fund) contributed \$0 and \$75,000, respectively, back to Lifesong for the adoption assistance program. As of June 30, 2016 and 2015, the value of the donor-advised fund totaled \$149,812 and \$117,960, respectively, and was invested in money market and mutual funds.

NOTE 7. RELATED PARTIES

TMG Foundation

The president of Lifesong’s board of directors is also president of the board of TMG Foundation (TMG), a charitable organization as defined in Internal Revenue Code Section 501(c)(3). As part of its mission, TMG has agreed to contribute funds to Lifesong sufficient to pay for all supporting activity costs that have not already been paid for by other revenue dedicated for this same purpose. An analysis of activity during the years ended June 30, 2016 and 2015 follows:

	2016	2015
Supporting activities		
Management and general	\$ 716,023	\$ 619,579
Fund raising	<u>760,541</u>	<u>633,492</u>
Total supporting activities	1,476,564	1,253,071
Other net revenues dedicated to pay for these costs	<u>(630,483)</u>	<u>(615,075)</u>
Remaining amount	<u><u>\$ 846,081</u></u>	<u><u>\$ 637,996</u></u>

Unrestricted contributions from TMG during the years ended June 30, 2016 and 2015 totaled \$846,081 and \$637,996, respectively – funding the “remaining amounts” above.

As of June 30, 2016 and 2015, receivable from TMG Foundation totaled \$152,635 and \$213,449, respectively.

Also, Lifesong provides TMG with services (management and fund raising), supplies, and use of facilities free of charge. Management has determined that the value of these items is not significant and therefore is not included in these financial statements.

Lifesong Legacy Fund, Inc.

The president of Lifesong Legacy Fund, Inc.'s (Legacy) board of directors is also a member of Lifesong's board of directors. Legacy is a charitable organization as defined by Internal Revenue Code Section 501(c)(3) that provides interest-free loans to adoptive couples. Through a formal agreement of association, the two organizations operate under separate boards of directors, but their relationship combines the strengths of both organizations for marketing and fundraising purposes. Lifesong provides Legacy with services (management and fund raising), supplies, and use of facilities free of charge. Management has determined that the value of these items is not significant and therefore is not included in these financial statements.

NOTE 8. FOREIGN OPERATIONS

Lifesong's program operations conducted in foreign countries are subject to various political, economic and other risks and uncertainties inherent to those countries. During the years ended June 30, 2016 and 2015, Lifesong conducted operations in Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, Honduras, India, Kenya, Liberia, Mexico, Tanzania, Uganda, Ukraine and Zambia. Generally, Lifesong works with established, indigenous non-governmental organizations to facilitate property ownership, employment of local personnel and other needs. On occasion (for example – during a "trial period" at a project location), Lifesong may provide support through other U.S. charitable organizations operating in the same location.

Each of these project locations is controlled through Lifesong's establishment and approval of their annual budgets and the provision of funding. Lifesong provides significant operating and capital funding for each of these organizations. Thus, all such foreign activity is included in these financial statements. Foreign source income of \$505,361 and \$397,906 was received during the years ended June 30, 2016 and 2015, respectively. Foreign currency translation losses totaling \$34,650 and \$2,522 are included in miscellaneous expense as of June 30, 2016 and 2015, respectively. Foreign location "prepaid expenses and other" totaled \$49,989 and \$59,670 as of June 30, 2016 and 2015, respectively. Property and equipment under the control of Lifesong in these foreign countries is disclosed in Note 3 and mission field advances are disclosed in Note 1.

NOTE 9. RETIREMENT PLAN

Lifesong maintains a defined contribution retirement plan covering all employees that meet certain eligibility requirements. At the discretion of the board of directors, Lifesong may contribute an amount up to 3% of the annual compensation of each plan participant. Contributions to the plan during the years ended June 30, 2016 and 2015 totaled \$23,125 and \$19,739, respectively.

NOTE 10. COMMITMENTS

Lifesong provides matching grants for the adoption of orphans by Christian families. Families must satisfy all conditions of the grant, including raising an equal or greater amount of funds, prior to the money being disbursed. As of June 30, 2016 and 2015, Lifesong had committed to matching grants of \$132,040 and \$93,660, respectively, for which grant conditions had not yet been met.

During the year ended June 30, 2016, Lifesong entered a construction agreement for its Haiti project location totaling approximately \$600,000. \$24,463 had been paid under this agreement as of June 30, 2016.