

LIFESONG FOR ORPHANS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016



TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	10
Notes to Financial Statements	12



Koch Consultants, Ltd.
P.O. Box 1400
Tremont, IL 61568
Phone 309.267.3796
Fax 309.216.3796
www.kochconsultants.com
Certified Public Accountants & Consultants

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, 2017 and 2016, 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, 2017 and 2016, 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 26, 2017

LIFESONG FOR ORPHANS, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 4,682,895	\$ 3,844,106
Mission field advances	419,284	348,301
Investments	3,000,000	3,250,092
Contributions receivable	-	250,000
Receivable from TMG Foundation (a related party)	123,123	152,635
Prepaid expenses and other	180,170	144,091
Notes receivable	254,147	196,266
Property and equipment, net	11,241,507	8,358,531
	<u>\$ 19,901,126</u>	<u>\$ 16,544,022</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 167,082	\$ 98,560
Accrued expenses and other	56,761	47,062
Notes payable	81,441	172,397
	<u>305,284</u>	<u>318,019</u>
Net assets		
Unrestricted	11,800,780	8,645,601
Temporarily restricted	7,795,062	7,580,402
	<u>19,595,842</u>	<u>16,226,003</u>
	<u>\$ 19,901,126</u>	<u>\$ 16,544,022</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
General contributions	\$ 2,178,836	\$ 16,477,925	\$ 18,656,761
Contributions from TMG Foundation	563,947	-	563,947
Sustainable business income	343,143	-	343,143
Other income (loss)	81,067	391	81,458
NET ASSETS RELEASED FROM RESTRICTIONS	16,263,656	(16,263,656)	-
	<hr/>		
	19,430,649	214,660	19,645,309
	<hr/>		
EXPENSES			
Program services	14,610,050	-	14,610,050
Supporting activities			
Management and general	739,888	-	739,888
Fund raising	925,532	-	925,532
	<hr/>		
	1,665,420	-	1,665,420
	<hr/>		
	16,275,470	-	16,275,470
	<hr/>		
CHANGE IN NET ASSETS	3,155,179	214,660	3,369,839
NET ASSETS - BEGINNING	8,645,601	7,580,402	16,226,003
	<hr/>		
NET ASSETS - ENDING	\$ 11,800,780	\$ 7,795,062	\$ 19,595,842
	<hr/>		

See accompanying notes.

2016

Unrestricted	Temporarily Restricted	Total
\$ 2,139,227	\$ 13,230,160	\$ 15,369,387
846,081	57,020	903,101
288,316	-	288,316
(17,790)	329	(17,461)
<u>12,557,901</u>	<u>(12,557,901)</u>	<u>-</u>
<u>15,813,735</u>	<u>729,608</u>	<u>16,543,343</u>
13,048,541	-	13,048,541
716,023	-	716,023
<u>760,541</u>	<u>-</u>	<u>760,541</u>
<u>1,476,564</u>	<u>-</u>	<u>1,476,564</u>
<u>14,525,105</u>	<u>-</u>	<u>14,525,105</u>
1,288,630	729,608	2,018,238
<u>7,356,971</u>	<u>6,850,794</u>	<u>14,207,765</u>
<u>\$ 8,645,601</u>	<u>\$ 7,580,402</u>	<u>\$ 16,226,003</u>

LIFESONG FOR ORPHANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Adoption Assistance	Orphan Care	Charitable Organization Support	Foster Care Support
Salaries and wages	\$ 186,665	\$ 2,137,243	\$ -	\$ 49,140
Employee benefits	19,618	60,981	-	3,655
Payroll taxes	11,588	62,018	-	2,639
	<hr/>			
	217,871	2,260,242	-	55,434
Grants and allocations	34,717	896,006	174,000	28,694
Specific assistance	6,640,887	-	-	-
Professional fees	119,984	107,026	-	1,864
Office expenses	13,192	56,066	-	3,410
Ministry supplies and services	51,793	1,500,429	-	106,428
Occupancy	16,845	210,133	-	28,470
Conferences and training	11,429	9,891	-	9,409
Travel	26,904	190,671	-	9,856
Marketing and development	3,623	1,930	-	4,714
Miscellaneous	-	77,252	-	779
Depreciation	14,957	694,326	-	-
	<hr/>			
	\$ 7,152,202	\$ 6,003,972	\$ 174,000	\$ 249,058
	<hr/>			

See accompanying notes.

Sustainable Business	Mission Trips	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 226,386	\$ 23,651	\$ 2,623,085	\$ 464,542	\$ 350,112	\$ 814,654	\$ 3,437,739
-	-	84,254	48,093	58,025	106,118	190,372
2,447	618	79,310	39,076	24,970	64,046	143,356
228,833	24,269	2,786,649	551,711	433,107	984,818	3,771,467
-	14,452	1,147,869	-	-	-	1,147,869
-	-	6,640,887	-	-	-	6,640,887
47,570	180	276,624	66,587	39,346	105,933	382,557
41,226	2,569	116,463	58,259	75,548	133,807	250,270
238,771	34,694	1,932,115	-	-	-	1,932,115
20,483	356	276,287	17,961	16,235	34,196	310,483
-	-	30,729	11,763	1,018	12,781	43,510
33,646	332,346	593,423	14,060	250,941	265,001	858,424
-	3,324	13,591	6,834	101,859	108,693	122,284
8,099	-	86,130	-	-	-	86,130
-	-	709,283	12,713	7,478	20,191	729,474
<u>\$ 618,628</u>	<u>\$ 412,190</u>	<u>\$ 14,610,050</u>	<u>\$ 739,888</u>	<u>\$ 925,532</u>	<u>\$ 1,665,420</u>	<u>\$ 16,275,470</u>

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

	Adoption Assistance	Orphan Care	Charitable Organization Support	Foster Care Support
Salaries and wages	\$ 186,607	\$ 1,682,312	\$ -	\$ 63,405
Employee benefits	23,201	32,596	-	5,156
Payroll taxes	12,424	45,820	-	4,745
	<hr/>			
	222,232	1,760,728	-	73,306
Grants and allocations	94,261	922,895	-	8,027
Specific assistance	6,327,752	-	-	-
Professional fees	117,419	55,364	-	2,116
Office expenses	12,427	28,420	-	7,474
Ministry supplies and services	31,910	1,459,951	-	81,065
Occupancy	17,102	81,102	-	21,990
Conferences and training	9,284	13,646	-	13,226
Travel	15,196	142,179	-	11,777
Marketing and development	351	4,811	-	3,510
Miscellaneous	-	21,590	-	-
Depreciation	12,915	342,746	-	1,333
	<hr/>			
	\$ 6,860,849	\$ 4,833,432	\$ -	\$ 223,824
	<hr/>			

See accompanying notes.

Sustainable Business	Mission Trips	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 199,417	\$ 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
4,748	-	67,737	43,284	28,411	71,695	139,432
204,165	19,754	2,280,185	522,471	472,027	994,498	3,274,683
-	20,271	1,045,454	-	-	-	1,045,454
-	-	6,327,752	-	-	-	6,327,752
-	-	174,899	59,979	27,187	87,166	262,065
16,897	3,380	68,598	71,280	56,093	127,373	195,971
221,121	12,187	1,806,234	-	-	-	1,806,234
6,733	118	127,045	16,365	13,807	30,172	157,217
-	-	36,156	6,166	5,455	11,621	47,777
67,809	352,489	589,450	12,484	122,254	134,738	724,188
-	-	8,672	16,300	57,261	73,561	82,233
7,037	-	28,627	-	-	-	28,627
198,475	-	555,469	10,978	6,457	17,435	572,904
\$ 722,237	\$ 408,199	\$ 13,048,541	\$ 716,023	\$ 760,541	\$ 1,476,564	\$ 14,525,105

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,369,839	\$ 2,018,238
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	729,474	572,904
Contributions restricted for property and equipment	(1,968,545)	(602,408)
(Gain) loss on disposal of property and equipment	(9,445)	54,657
Forgiveness of notes receivable	18,700	8,600
In-kind donations received	(244,054)	(248,892)
In-kind donations used in programs	174,979	57,082
(Increase) decrease in operating assets		
Contributions receivable	250,000	(250,000)
Receivable from TMG Foundation	29,512	60,814
Prepaid expenses and other	(36,079)	(16,497)
Advances for field missions	(5,479,364)	(5,134,982)
Advances used in field missions	5,408,381	4,926,730
Increase (decrease) in operating liabilities		
Accounts payable	14,728	50,387
Accrued expenses and other	9,699	20,468
	2,267,825	1,517,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(3,511,966)	(1,592,722)
Proceeds from disposal of property and equipment	114,755	11,245
Purchases of investments	(500,000)	(2,500,000)
Maturities of investments	750,092	2,502,711
Notes receivable advances	(171,163)	(78,571)
Notes receivable repayments received	94,582	129,550
	(3,223,700)	(1,527,787)

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for property and equipment	\$ 1,968,545	\$ 602,408
Repayments made on notes payable	(173,881)	(50,603)
	1,794,664	551,805
INCREASE (DECREASE) IN CASH	838,789	541,119
CASH AT BEGINNING OF YEAR	3,844,106	3,302,987
CASH AT END OF YEAR	\$ 4,682,895	\$ 3,844,106
 SUPPLEMENTAL DATA		
In-kind contributions of property received	\$ 69,075	\$ 191,810
Property acquired through issuance of notes payable and accounts payable	136,719	-

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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, India, Kenya, Liberia, Mexico, Southeast Asia, Tanzania, Uganda, Ukraine, and Zambia
- Providing administrative support to other charitable organizations whose ministries are focused on at-risk children
- 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 and, accordingly, reflect all significant receivables, payables, and other liabilities. 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 and Mission Field Advances

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, 2017 and 2016, Lifesong held no cash equivalents. Lifesong maintained deposits with financial institutions that collectively exceeded the FDIC insured limit by approximately \$208,285 and \$9,200 as of June 30, 2017 and 2016, 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, 2017 and 2016 totaled \$419,284 and \$348,301, respectively.

Investments

Investments in certificates of deposit are recorded at cost, which approximates fair value. Investments that do not have readily determinable fair values are reported at cost. When management becomes aware of circumstances under which cost basis investments are permanently impaired, the value of such investments is reduced by the amount that is considered permanently impaired.

Fair Value

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

Fair value is calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. As of June 30, 2017 and 2016, respectively, Lifesong does not report any financial or nonfinancial assets or liabilities at 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 \$0 and \$250,000 as of June 30, 2017 and 2016, respectively, represent unconditional promises to give to Lifesong. Management considers contributions receivable to be fully collectible within one year.

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 \$16,100 and \$12,500 as of June 30, 2017 and 2016, 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, 2017 and 2016, agreements totaling \$18,700 and \$8,600, respectively, were forgiven. Management bases its decisions regarding collectability on historical experience and specific knowledge regarding individual agreements.

As of June 30, 2017 and 2016, these agreements are expected to be collected as follows:

	2017	2016
During the year ended -		
June 30, 2017	\$ -	\$ 140,529
June 30, 2018	121,935	68,237
June 30, 2019	148,312	-
Less allowance for doubtful accounts	<u>(16,100)</u>	<u>(12,500)</u>
	<u>\$ 254,147</u>	<u>\$ 196,266</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 \$729,474 and \$572,904 during the years ended June 30, 2017 and 2016, 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, 2017 or 2016. 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 2014.

Subsequent Events

Lifesong has evaluated subsequent events through December 26, 2017, the date which the financial statements were available to be issued. Lifesong has not identified any subsequent events requiring disclosure in these financial statements, except the subsequent payment of debt disclosed in Note 4.

NOTE 2. INVESTMENTS

Investments consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Certificates of deposit, at cost	\$ 2,500,000	\$ 3,250,092
Investment in real estate income fund, at cost	<u>500,000</u>	<u>-</u>
	<u>\$ 3,000,000</u>	<u>\$ 3,250,092</u>

Certificates of deposit have the following maturity dates as of June 30, 2017 and 2016:

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

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016 consists of:

	2017	2016
United States -		
Transportation equipment	\$ 21,000	\$ 14,000
Other equipment	218,882	196,342
Leasehold improvements	356,033	356,033
Accumulated depreciation	<u>(210,240)</u>	<u>(189,636)</u>
	<u>385,675</u>	<u>376,739</u>
Bolivia -		
Transportation equipment	17,000	17,000
Other equipment	28,241	28,241
Accumulated depreciation	<u>(18,269)</u>	<u>(10,834)</u>
	<u>26,972</u>	<u>34,407</u>

Property and equipment, continued:

	2017	2016
Ethiopia -		
Land	\$ 39,341	\$ 39,341
Land improvements	113,365	113,365
Buildings and improvements	530,274	530,274
Transportation equipment	34,506	76,752
Other equipment	103,159	101,832
Accumulated depreciation	<u>(219,410)</u>	<u>(190,804)</u>
	<u>601,235</u>	<u>670,760</u>
Guatemala -		
Land	636,909	504,909
Land improvements	212,324	197,949
Buildings and improvements	401,553	259,584
Transportation equipment	78,921	62,188
Other equipment	63,943	52,863
Accumulated depreciation	<u>(141,324)</u>	<u>(109,539)</u>
	<u>1,252,326</u>	<u>967,954</u>
Haiti -		
Land	75,202	85,202
Land improvements	113,042	57,516
Buildings and improvements	1,599,988	67,173
Transportation equipment	195,375	145,030
Other equipment	499,260	215,941
Accumulated depreciation	<u>(210,829)</u>	<u>(64,696)</u>
	<u>2,272,038</u>	<u>506,166</u>
India -		
Buildings and improvements	430,134	421,272
Transportation equipment	25,258	25,258
Other equipment	36,627	36,627
Accumulated depreciation	<u>(144,769)</u>	<u>(131,650)</u>
	<u>347,250</u>	<u>351,507</u>
Liberia -		
Land	52,500	52,500
Land improvements	31,373	27,403
Buildings and improvements	105,420	105,420
Transportation equipment	24,250	15,250
Other equipment	34,704	34,704
Accumulated depreciation	<u>(63,923)</u>	<u>(51,205)</u>
	<u>184,324</u>	<u>184,072</u>

Property and equipment, continued:

	2017	2016
Uganda -		
Land	\$ 4,200	\$ -
Land improvements	4,822	-
Buildings and improvements	42,669	-
Other equipment	3,635	-
Accumulated depreciation	(786)	-
	<u>54,540</u>	<u>-</u>
Ukraine -		
Land	772,704	468,062
Land improvements	453,992	282,945
Buildings and improvements	1,654,608	1,504,411
Transportation equipment	419,268	384,768
Other equipment	1,166,434	842,538
Accumulated depreciation	(1,107,398)	(879,566)
	<u>3,359,608</u>	<u>2,603,158</u>
Zambia -		
Land	714,313	714,313
Land improvements	224,999	207,143
Buildings and improvements	1,705,713	1,478,455
Transportation equipment	379,980	357,223
Other equipment	415,144	399,153
Accumulated depreciation	(682,610)	(492,519)
	<u>2,757,539</u>	<u>2,663,768</u>
Grand totals -		
Land	2,295,169	1,864,327
Land improvements	1,153,917	886,321
Buildings and improvements	6,470,359	4,366,589
Transportation equipment	1,195,558	1,097,469
Other equipment	2,570,029	1,908,241
Leasehold improvements	356,033	356,033
Accumulated depreciation	(2,799,558)	(2,120,449)
	<u>\$ 11,241,507</u>	<u>\$ 8,358,531</u>

NOTE 4. NOTES PAYABLE

Lifesong has entered two separate rent-to-own agreements to acquire property in Guatemala. Under the agreements, Lifesong must make annual payments towards the principal (notes payable) and annual rental payments for use of the property. If Lifesong defaults prior to making final payments on the notes payable, the property reverts back to the sellers. The property (land) is included as part of property and equipment in the statement of financial position. Principal payments were \$173,881 and \$49,000 during the years ended June 30, 2017 and 2016, respectively. Remaining notes payable balances were \$81,441 and \$172,397 as of June 30, 2017 and 2016, respectively. Subsequent to June 30, 2017, Lifesong paid off the remaining balance of \$81,441.

NOTE 5. DONOR-ADVISED FUND

Over several years, donors within the same extended family have contributed 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; thus, the fund is not presented in Lifesong's financial statements. As of June 30, 2017 and 2016, the value of the donor-advised fund totaled \$142,157 and \$149,812, respectively, and was invested in money market and mutual funds.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 are restricted for the following purposes:

	2017	2016
Adoption assistance - specific Church and family funds	\$ 5,839,822	\$ 5,432,784
Indigenous adoptions - Ukraine	-	20,502
Orphan care - various countries	1,335,161	1,482,029
Orphan care - missionaries	127,553	76,314
Charitable organization support	351,578	-
Sustainable business development	-	442,858
Foster care	116,548	93,390
Mission trips	24,400	32,525
	<u>\$ 7,795,062</u>	<u>\$ 7,580,402</u>

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2017	2016
Adoption assistance - specific Church and family funds	\$ 6,841,642	\$ 6,532,467
Indigenous adoptions - Ukraine	20,502	55,931
Orphan care - various countries	5,385,618	3,702,246
Orphan care - missionaries	876,285	726,399
Charitable organization support	231,327	-
Sustainable business development	1,169,907	184,382
Foster care	252,870	235,853
Mission trips	424,331	428,866
Donor-advised fund	7,823	24,890
Payment of management, general and fund raising costs	<u>1,053,351</u>	<u>666,867</u>
	<u>\$ 16,263,656</u>	<u>\$ 12,557,901</u>

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, 2017 and 2016 follows:

	2017	2016
Supporting activities		
Management and general	\$ 739,888	\$ 716,023
Fund raising	<u>925,532</u>	<u>760,541</u>
Total supporting activities	1,665,420	1,476,564
Other net revenues dedicated to pay for these costs	<u>(1,101,473)</u>	<u>(630,483)</u>
Remaining amount	<u>\$ 563,947</u>	<u>\$ 846,081</u>

Unrestricted contributions from TMG during the years ended June 30, 2017 and 2016 totaled \$563,947 and \$846,081, respectively – funding the “remaining amounts” above.

As of June 30, 2017 and 2016, receivable from TMG Foundation totaled \$123,123 and \$152,635, respectively.

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.

TMG has outstanding notes payable to an individual totaling \$325,000 as of June 30, 2017. These notes were issued in conjunction with sustainable business activities by Lifesong at the Bercy, Haiti location. The notes are secured (guaranteed) by Lifesong property in Bercy, Haiti with a net book value of \$953,888 as of June 30, 2017.

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. 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, 2017 and 2016 totaled \$30,992 and \$23,125, respectively.

NOTE 9. 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, 2017 and 2016, Lifesong conducted operations in Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, India, Kenya, Liberia, Mexico, Southeast Asia, 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 \$509,552 and \$505,361 was received during the years ended June 30, 2017 and 2016, respectively. Foreign currency translation losses totaling \$619 and \$34,650 are included in miscellaneous expense as of June 30, 2017 and 2016, respectively.

Foreign location assets and liabilities as of June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Mission field advances (disclosed in Note 1)		
Prepaid expenses and other	\$ 60,807	\$ 49,989
Property and equipment (disclosed in Note 3)		
Accounts payable	35,230	34,499
Notes payable (disclosed in Note 4)		

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, 2017 and 2016, Lifesong had committed to matching grants of \$187,762 and \$132,040, respectively, for which grant conditions had not yet been met.