

**LIFESONG FOR ORPHANS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**



## 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, 2015 and 2014, 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, 2015 and 2014, 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.*

January 22, 2016

LIFESONG FOR ORPHANS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 3,302,987	\$ 1,251,728
Mission field advances	140,049	214,988
Certificates of deposit	3,252,803	4,254,762
Receivable from TMG Foundation (a related party)	213,449	153,040
Prepaid expenses and other	127,594	60,334
Notes receivable	255,845	246,255
Property and equipment, net	7,212,805	5,849,302
	<u>\$ 14,505,532</u>	<u>\$ 12,030,409</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 48,173	\$ 61,189
Accrued expenses and other	26,594	62,051
Notes payable	223,000	-
	<u>297,767</u>	<u>123,240</u>
Net assets		
Unrestricted	7,356,971	6,188,429
Temporarily restricted	6,850,794	5,718,740
	<u>14,207,765</u>	<u>11,907,169</u>
	<u>\$ 14,505,532</u>	<u>\$ 12,030,409</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
General contributions	\$ 1,601,368	\$ 12,408,323	\$ 14,009,691
Contributions from TMG Foundation	637,996	84,053	722,049
Special events - revenue	-	-	-
Special events - related costs	-	-	-
Sustainable business income	270,521	-	270,521
Other income	15,852	378	16,230
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>11,360,700</b>	<b>(11,360,700)</b>	<b>-</b>
	<hr/>		
	13,886,437	1,132,054	15,018,491
	<hr/>		
<b>EXPENSES</b>			
Program services	11,464,824	-	11,464,824
<b>Supporting activities</b>			
Management and general	619,579	-	619,579
Fund raising	633,492	-	633,492
	<hr/>		
	1,253,071	-	1,253,071
	<hr/>		
	12,717,895	-	12,717,895
	<hr/>		
<b>CHANGE IN NET ASSETS</b>	<b>1,168,542</b>	<b>1,132,054</b>	<b>2,300,596</b>
<b>NET ASSETS - BEGINNING</b>	<b>6,188,429</b>	<b>5,718,740</b>	<b>11,907,169</b>
	<hr/>		
<b>NET ASSETS - ENDING</b>	<b>\$ 7,356,971</b>	<b>\$ 6,850,794</b>	<b>\$ 14,207,765</b>
	<hr/> <hr/>		

See accompanying notes.

2014

Unrestricted	Temporarily Restricted	Total
\$ 1,361,812	\$ 10,872,186	\$ 12,233,998
263,870	-	263,870
141,019	-	141,019
(92,374)	-	(92,374)
147,837	-	147,837
46,746	434	47,180
10,232,302	(10,232,302)	-
<hr/>		
12,101,212	640,318	12,741,530
<hr/>		
9,636,817	-	9,636,817
540,036	-	540,036
502,918	-	502,918
<hr/>		
1,042,954	-	1,042,954
<hr/>		
10,679,771	-	10,679,771
<hr/>		
1,421,441	640,318	2,061,759
4,766,988	5,078,422	9,845,410
<hr/>		
\$ 6,188,429	\$ 5,718,740	\$ 11,907,169
<hr/> <hr/>		

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	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	Endowment 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
\$ 374,156	\$ 19,779	\$ 11,464,824	\$ 619,579	\$ 633,492	\$ 1,253,071	\$ 12,717,895

LIFESONG FOR ORPHANS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014

	Adoption Assistance	Orphan Care	Foster Care	Sustainable Business
Salaries and wages	\$ 190,170	\$ 881,197	\$ 35,790	\$ 127,919
Employee benefits	22,681	78,017	4,097	10,935
Payroll taxes	12,978	31,650	2,597	5,510
	<hr/> 225,829	990,864	42,484	144,364
Grants and allocations	14,480	790,061	-	-
Specific assistance	5,278,711	-	-	-
Professional fees	36,135	13,176	913	6,186
Office expenses	17,686	48,043	7,897	24,820
Ministry supplies	18,826	639,014	53,009	82,518
Occupancy	8,176	140,598	2,726	9,767
Conferences and training	18,194	20,185	6,429	983
Travel	32,137	180,614	6,315	38,888
Marketing and development	1,145	3,094	4,241	-
Miscellaneous	-	37,919	-	15,659
Depreciation	12,930	281,664	-	-
	<hr/> \$ 5,664,249	\$ 3,145,232	\$ 124,014	\$ 323,185

See accompanying notes.

Mission Trips	Endowment Fund	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 8,953	\$ -	\$ 1,244,029	\$ 350,197	\$ 226,866	\$ 577,063	\$ 1,821,092
-	-	115,730	42,343	36,127	78,470	194,200
-	-	52,735	25,918	16,140	42,058	94,793
8,953	-	1,412,494	418,458	279,133	697,591	2,110,085
-	39,875	844,416	-	-	-	844,416
-	-	5,278,711	-	-	-	5,278,711
-	-	56,410	35,774	5,320	41,094	97,504
3,287	-	101,733	23,973	54,547	78,520	180,253
10,058	-	803,425	5,580	5,484	11,064	814,489
459	-	161,726	9,123	9,552	18,675	180,401
-	-	45,791	10,838	7,632	18,470	64,261
317,505	-	575,459	20,751	100,193	120,944	696,403
-	-	8,480	2,609	34,252	36,861	45,341
-	-	53,578	-	-	-	53,578
-	-	294,594	12,930	6,805	19,735	314,329
<u>\$ 340,262</u>	<u>\$ 39,875</u>	<u>\$ 9,636,817</u>	<u>\$ 540,036</u>	<u>\$ 502,918</u>	<u>\$ 1,042,954</u>	<u>\$ 10,679,771</u>

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,300,596	\$ 2,061,759
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	444,035	314,329
Contributions restricted for property and equipment	(1,449,240)	(1,005,851)
(Gain) loss on sale of property and equipment	(1,062)	584
Forgiveness of notes receivable	3,000	12,200
In-kind donations received	(45,763)	(54,687)
In-kind donations used in programs	45,763	17,285
In-kind donations made to others	-	6,240
(Increase) decrease in operating assets		
Receivable from TMG Foundation	(60,409)	(153,040)
Prepaid expenses and other	(67,260)	(21,505)
Advances for field missions	(3,631,928)	(3,923,634)
Advances used in field missions	3,706,867	3,918,498
Increase (decrease) in operating liabilities		
Accounts payable	(13,016)	21,126
Accrued expenses and other	(35,457)	(29,188)
	1,196,126	1,164,116
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(1,586,732)	(1,490,441)
Proceeds from sale of property and equipment	3,256	9,072
Purchases of certificates of deposit	(1,962)	(1,252,051)
Maturities of certificates of deposit	1,003,921	500,000
Notes receivable advances	(124,933)	(134,000)
Notes receivable repayments received	112,343	218,158
	(594,107)	(2,149,262)

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for property and equipment	<u>\$ 1,449,240</u>	<u>\$ 1,005,851</u>
Net cash provided by financing activities	<u>1,449,240</u>	<u>1,005,851</u>
INCREASE (DECREASE) IN CASH	2,051,259	20,705
CASH AT BEGINNING OF YEAR	<u>1,251,728</u>	<u>1,231,023</u>
CASH AT END OF YEAR	<u><u>\$ 3,302,987</u></u>	<u><u>\$ 1,251,728</u></u>
 <b>SUPPLEMENTAL DATA</b>		
In-kind contributions of property received	\$ -	\$ 37,402
In-kind contributions of property made to others	-	6,240
Property acquired through issuance of notes payable	223,000	-

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014

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, Liberia, Mexico, 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. Gifts of cash and other assets are reported as restricted support if they are received with donor restrictions that limit the use of the donated assets. 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

As of June 30, 2015 and 2014, Lifesong maintained deposits with financial institutions that collectively exceeded the FDIC insured limit by approximately \$10,800 and \$189,700, respectively. Management has determined collateral protection above the FDIC insurance limit is not necessary.

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, 2015 and 2014, Lifesong held no cash equivalents.

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, 2015 and 2014 totaled \$140,049 and \$214,988, respectively.

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

## 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 \$16,400 as of both June 30, 2015 and 2014. Management believes all other agreements are fully collectible. When an agreement is deemed uncollectible, it is simply forgiven. During the years ended June 30, 2015 and 2014, agreements totaling \$3,000 and \$12,200, 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, 2015 and 2014, these agreements are expected to be collected as follows:

	2015	2014
During the year ended -		
June 30, 2015	\$ -	\$ 200,355
June 30, 2016	187,362	62,300
June 30, 2017	84,883	-
Less allowance for doubtful accounts	<u>(16,400)</u>	<u>(16,400)</u>
	<u>\$ 255,845</u>	<u>\$ 246,255</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 \$444,035 and \$314,329 during the years ended June 30, 2015 and 2014, 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, 2015 and 2014. 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 2012.

## Subsequent Events

Lifesong has evaluated subsequent events through January 22, 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, 2015 and 2014:

	2015	2014
During the year ended -		
June 30, 2015	\$ -	\$ 1,254,670
June 30, 2016	2,502,711	2,250,000
June 30, 2017	<u>750,092</u>	<u>750,092</u>
	<u>\$ 3,252,803</u>	<u>\$ 4,254,762</u>

## NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014 consists of:

	2015	2014
United States -		
Transportation equipment	\$ 14,000	\$ 14,000
Other equipment	182,622	173,938
Leasehold improvements	356,033	271,979
Accumulated depreciation	<u>(157,240)</u>	<u>(123,710)</u>
	<u>395,415</u>	<u>336,207</u>

Property and equipment, continued:

	2015	2014
Bolivia -		
Transportation equipment	\$ 17,000	\$ 7,000
Accumulated depreciation	<u>(3,400)</u>	<u>-</u>
	<u>13,600</u>	<u>7,000</u>
Ethiopia -		
Land	39,341	39,341
Land improvements	113,365	99,660
Buildings and improvements	530,274	509,254
Transportation equipment	55,324	34,506
Other equipment	96,282	89,926
Accumulated depreciation	<u>(141,402)</u>	<u>(97,437)</u>
	<u>693,184</u>	<u>675,250</u>
Guatemala -		
Land	397,216	115,191
Land improvements	188,749	167,698
Buildings and improvements	255,777	244,230
Transportation equipment	56,135	20,721
Other equipment	52,378	44,008
Accumulated depreciation	<u>(73,135)</u>	<u>(38,661)</u>
	<u>877,120</u>	<u>553,187</u>
Honduras -		
Transportation equipment	19,552	-
Other equipment	44,195	-
Accumulated depreciation	<u>(10,302)</u>	<u>-</u>
	<u>53,445</u>	<u>-</u>
India -		
Buildings and improvements	393,239	390,343
Transportation equipment	25,258	25,258
Other equipment	34,778	29,780
Accumulated depreciation	<u>(118,753)</u>	<u>(105,837)</u>
	<u>334,522</u>	<u>339,544</u>

Property and equipment, continued:

	2015	2014
Liberia -		
Land	\$ 52,500	\$ 52,500
Land improvements	27,403	27,403
Buildings and improvements	100,394	100,394
Transportation equipment	15,250	6,000
Other equipment	30,973	23,873
Accumulated depreciation	<u>(38,651)</u>	<u>(26,833)</u>
	<u>187,869</u>	<u>183,337</u>
Ukraine -		
Land	416,680	416,680
Land improvements	249,952	171,396
Buildings and improvements	1,491,712	1,490,557
Transportation equipment	384,768	384,768
Other equipment	444,919	183,001
Accumulated depreciation	<u>(706,301)</u>	<u>(577,244)</u>
	<u>2,281,730</u>	<u>2,069,158</u>
Zambia -		
Land	620,450	341,468
Land improvements	176,311	157,838
Buildings and improvements	1,224,897	986,005
Transportation equipment	339,654	147,692
Other equipment	345,022	226,157
Accumulated depreciation	<u>(330,414)</u>	<u>(173,541)</u>
	<u>2,375,920</u>	<u>1,685,619</u>
Grand totals -		
Land	1,526,187	965,180
Land improvements	755,780	623,995
Buildings and improvements	3,996,293	3,720,783
Transportation equipment	926,941	639,945
Other equipment	1,231,169	770,683
Leasehold improvements	356,033	271,979
Accumulated depreciation	<u>(1,579,598)</u>	<u>(1,143,263)</u>
	<u>\$ 7,212,805</u>	<u>\$ 5,849,302</u>

NOTE 4. NOTES PAYABLE

During the year, 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. Principal payments required to retire future maturities of the note payable for the next five years are as follows:

	2015	2014
During the year ended -		
June 30, 2016	\$ 49,000	\$ -
June 30, 2017	49,000	-
June 30, 2018	49,000	-
June 30, 2019	49,000	-
June 30, 2020	27,000	-
	<u>\$ 223,000</u>	<u>\$ -</u>

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 are restricted for the following purposes:

	2015	2014
Adoption assistance - specific Church and family funds	\$ 5,362,763	\$ 4,999,394
Indigenous adoptions - Ukraine	21,003	15,262
Orphan care - various countries	1,307,178	657,780
Orphan care - missionaries	101,364	42,073
Foster care	58,486	-
Mission trips	-	4,231
	<u>\$ 6,850,794</u>	<u>\$ 5,718,740</u>

During the years ended June 30, 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2015	2014
Adoption assistance - specific Church and family funds	\$ 5,535,232	\$ 5,341,503
Indigenous adoptions - Ukraine	35,295	16,641
Orphan care - various countries	3,316,481	2,943,892
Orphan care - missionaries	571,885	460,336
Sustainable business development	611,998	332,241
Foster care	177,441	103,402
Mission trips	367,913	184,704
Endowment fund	19,779	34,875
Leasehold improvements - US office	84,053	-
Payment of management, general and fund raising costs	<u>640,623</u>	<u>814,708</u>
	<u>\$ 11,360,700</u>	<u>\$ 10,232,302</u>

#### NOTE 6. DONOR-ADVISED FUND

Over several years, donors within the same extended family have contributed a total of \$442,458 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.

Although Lifesong's board president is an advisor of this donor-advised fund, the fund is under the auspices of NCF and could be used for other charitable purposes in accordance with NCF's mission statement. Therefore, management has determined information regarding the donor-advised fund should be disclosed, but the fund should not be presented in these financial statements.

During the years ended June 30, 2015 and 2014, Lifesong received \$19,779 and \$24,875, respectively, from family members and transferred \$19,779 and \$39,875, respectively, to NCF. Also during the years ended June 30, 2015 and 2014, NCF (through this donor-advised fund) contributed \$75,000 and \$75,000, respectively, back to Lifesong for the adoption assistance program. As of June 30, 2015 and 2014, the value of the donor-advised fund totaled \$117,960 and \$185,688, 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, 2015 and 2014 follows:

	2015	2014
Supporting activities		
Management and general	\$ 619,579	\$ 540,036
Fund raising	<u>633,492</u>	<u>502,918</u>
Total supporting activities	1,253,071	1,042,954
Other net revenues dedicated to pay for these costs	<u>(615,075)</u>	<u>(538,311)</u>
Remaining amount	<u><u>\$ 637,996</u></u>	<u><u>\$ 504,643</u></u>

Unrestricted contributions from TMG during the year ended June 30, 2015 and 2014 totaled \$637,996 and \$263,870, respectively. In addition, \$240,773 of temporarily restricted net assets (restricted for payment of future management, general and fund raising costs) were used during the year ended June 30, 2014.

As of June 30, 2015 and 2014, receivable from TMG Foundation totaled \$213,449 and \$153,040, 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. Lifesong currently conducts operations in Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, Honduras, India, Liberia, Mexico, 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 \$397,906 and \$322,773 was received during the years ended June 30, 2015 and 2014, respectively. Foreign location "prepaid expenses and other" totaled \$59,670 and \$32,973 as of June 30, 2015 and 2014, respectively. Properties under the control of Lifesong in these foreign countries are indicated in Note 3 above.

#### 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, 2015 and 2014 totaled \$19,739 and \$20,520, 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, 2015 and 2014, Lifesong had committed to matching grants of \$93,660 and \$110,302, respectively, for which grant conditions had not yet been met.