

LIFESONG FOR ORPHANS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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.

March 4, 2020

LIFESONG FOR ORPHANS, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 1,929,314	\$ 1,368,152
Mission field advances	574,257	553,705
Investments	7,873,104	7,537,458
Contributions receivable	-	115,253
Receivable from TMG Foundation (a related party)	461,608	-
Prepaid expenses and other	259,445	296,166
Notes receivable	434,421	436,123
Property and equipment, net	14,813,094	12,753,963
	<u>\$ 26,345,243</u>	<u>\$ 23,060,820</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 222,700	\$ 140,826
Accrued expenses and other	87,011	160,425
	<u>309,711</u>	<u>301,251</u>
Net assets		
Without donor restrictions - undesignated	16,994,544	14,689,805
With donor restrictions	9,040,988	8,069,764
	<u>26,035,532</u>	<u>22,759,569</u>
	<u>\$ 26,345,243</u>	<u>\$ 23,060,820</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
General contributions	\$ 2,568,615	\$ 18,327,518	\$ 20,896,133
Contributions from TMG Foundation	348,681	-	348,681
Sustainable business income	685,091	-	685,091
Other income (loss)	253,371	-	253,371
NET ASSETS RELEASED FROM RESTRICTIONS	17,356,294	(17,356,294)	-
	<hr/>		
	21,212,052	971,224	22,183,276
	<hr/>		
EXPENSES			
Program services	16,987,007	-	16,987,007
Supporting activities			
Management and general	872,230	-	872,230
Fund raising	1,048,076	-	1,048,076
	<hr/>		
	1,920,306	-	1,920,306
	<hr/>		
	18,907,313	-	18,907,313
	<hr/>		
CHANGE IN NET ASSETS	2,304,739	971,224	3,275,963
NET ASSETS - BEGINNING	14,689,805	8,069,764	22,759,569
	<hr/>		
NET ASSETS - ENDING	\$ 16,994,544	\$ 9,040,988	\$ 26,035,532
	<hr/>		

See accompanying notes.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,888,875	\$ 17,659,756	\$ 20,548,631
395,021	-	395,021
536,769	-	536,769
176,889	240	177,129
17,385,294	(17,385,294)	-
<u>21,382,848</u>	<u>274,702</u>	<u>21,657,550</u>
16,757,448	-	16,757,448
794,581	-	794,581
941,794	-	941,794
<u>1,736,375</u>	<u>-</u>	<u>1,736,375</u>
<u>18,493,823</u>	<u>-</u>	<u>18,493,823</u>
2,889,025	274,702	3,163,727
<u>11,800,780</u>	<u>7,795,062</u>	<u>19,595,842</u>
<u>\$ 14,689,805</u>	<u>\$ 8,069,764</u>	<u>\$ 22,759,569</u>

LIFESONG FOR ORPHANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Adoption Assistance	Orphan and Vulnerable Children Care - International	Orphan and Vulnerable Children Care - Domestic	Sustainable Business
Salaries and wages	\$ 176,572	\$ 2,568,618	\$ 330,378	\$ 330,230
Employee benefits	17,050	20,458	37,661	-
Payroll taxes	12,223	66,478	23,897	-
	<hr/>	<hr/>	<hr/>	<hr/>
	205,845	2,655,554	391,936	330,230
Grants and allocations	84,460	1,271,232	220,877	-
Specific assistance	6,085,649	21,808	-	-
Professional and other contract services	27,245	143,286	47,042	19,251
Office expenses	6,454	79,937	7,633	63,909
Ministry supplies and services	5,350	1,864,166	151,683	532,769
Occupancy	19,471	259,789	10,272	115,534
Conferences and meetings	11,837	45,424	19,486	-
Travel	10,271	326,205	75,018	92,034
Marketing and development	1,238	-	6,612	-
Miscellaneous	159	75,774	930	1,573
Depreciation	26,282	574,243	15,048	421,071
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 6,484,261	\$ 7,317,418	\$ 946,537	\$ 1,576,371

See accompanying notes.

Mission Trips	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 38,626	\$ 3,444,424	\$ 548,742	\$ 385,258	\$ 934,000	\$ 4,378,424
-	75,169	35,459	47,631	83,090	158,259
1,691	104,289	38,743	27,003	65,746	170,035
40,317	3,623,882	622,944	459,892	1,082,836	4,706,718
51,223	1,627,792	41,000	40	41,040	1,668,832
-	6,107,457	-	-	-	6,107,457
2,811	239,635	91,073	27,502	118,575	358,210
673	158,606	16,249	98,728	114,977	273,583
43,490	2,597,458	-	-	-	2,597,458
2,464	407,530	39,885	18,083	57,968	465,498
-	76,747	4,885	7,173	12,058	88,805
521,442	1,024,970	18,936	299,221	318,157	1,343,127
-	7,850	14,032	117,705	131,737	139,587
-	78,436	886	6,591	7,477	85,913
-	1,036,644	22,340	13,141	35,481	1,072,125
\$ 662,420	\$ 16,987,007	\$ 872,230	\$ 1,048,076	\$ 1,920,306	\$ 18,907,313

LIFESONG FOR ORPHANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Adoption Assistance	Orphan and Vulnerable Children Care - International	Orphan and Vulnerable Children Care - Domestic	Sustainable Business
Salaries and wages	\$ 199,984	\$ 2,469,780	\$ 256,248	\$ 278,468
Employee benefits	21,092	55,728	24,386	-
Payroll taxes	12,367	67,258	18,599	-
	<hr/>	<hr/>	<hr/>	<hr/>
	233,443	2,592,766	299,233	278,468
Grants and allocations	26,090	991,083	750,425	-
Specific assistance	6,189,698	-	-	-
Professional and other contract services	87,321	34,809	47,287	6,560
Office expenses	14,354	61,316	5,086	22,784
Ministry supplies and services	78,313	1,986,346	217,554	535,024
Occupancy	16,678	220,537	15,110	52,716
Conferences and meetings	29,791	-	5,755	-
Travel	30,925	210,876	70,237	87,064
Marketing and development	991	1,482	2,887	-
Miscellaneous	-	88,354	1,373	6,704
Depreciation	16,030	543,768	3,668	312,402
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	\$ 6,723,634	\$ 6,731,337	\$ 1,418,615	\$ 1,301,722

See accompanying notes.

Mission Trips	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 31,216	\$ 3,235,696	\$ 511,281	\$ 373,219	\$ 884,500	\$ 4,120,196
-	101,206	32,989	54,122	87,111	188,317
1,691	99,915	37,145	26,460	63,605	163,520
32,907	3,436,817	581,415	453,801	1,035,216	4,472,033
4,180	1,771,778	-	-	-	1,771,778
-	6,189,698	-	-	-	6,189,698
-	175,977	58,082	28,873	86,955	262,932
4,761	108,301	97,967	80,389	178,356	286,657
26,421	2,843,658	-	-	-	2,843,658
1,010	306,051	16,582	16,595	33,177	339,228
-	35,546	7,188	22,364	29,552	65,098
493,518	892,620	15,960	257,365	273,325	1,165,945
-	5,360	3,425	74,392	77,817	83,177
19,343	115,774	-	-	-	115,774
-	875,868	13,962	8,015	21,977	897,845
\$ 582,140	\$ 16,757,448	\$ 794,581	\$ 941,794	\$ 1,736,375	\$ 18,493,823

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,275,963	\$ 3,163,727
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,072,125	897,845
Contributions restricted for property and equipment	(2,370,164)	(1,776,373)
(Gain) loss on disposal of property and equipment	(2,806)	(4,450)
Unrealized (gain) loss on investments	(13,668)	(6,873)
Realized (gain) loss on investments	(351)	-
Forgiveness of notes receivable	20,500	7,550
In-kind donations received	(264,522)	(867,304)
In-kind donations used in programs	174,002	168,016
(Increase) decrease in operating assets		
Contributions receivable	115,253	(115,253)
Receivable from TMG Foundation	(461,608)	123,123
Prepaid expenses and other	36,721	(115,996)
Advances for field missions	(7,395,916)	(6,687,021)
Advances used in field missions	7,375,364	6,552,600
Increase (decrease) in operating liabilities		
Accounts payable	81,874	27,538
Accrued expenses and other	(73,414)	103,664
	1,569,353	1,470,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(3,082,780)	(2,317,360)
Proceeds from disposal of property and equipment	44,850	289,096
Purchases of investments	(2,837,374)	(4,530,585)
Maturities of investments	2,515,747	-
Notes receivable advances	(170,872)	(63,130)
Notes receivable repayments received	152,074	141,511
	(3,378,355)	(6,480,468)

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for property and equipment	\$ 2,370,164	\$ 1,776,373
Repayments made on notes payable	-	(81,441)
	2,370,164	1,694,932
INCREASE (DECREASE) IN CASH	561,162	(3,314,743)
CASH AT BEGINNING OF YEAR	1,368,152	4,682,895
CASH AT END OF YEAR	\$ 1,929,314	\$ 1,368,152
 SUPPLEMENTAL DATA		
In-kind contributions of property received	\$ 90,520	\$ 431,381
In-kind contributions of notes receivable received	-	267,907

See accompanying notes.

LIFESONG FOR ORPHANS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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:

- Adoption assistance program – providing grants and loans to assist in the adoption of orphans by Christian families; providing post-adoption assistance including literature, counseling and training
- Orphan and vulnerable children care program – providing support to orphan and vulnerable children in the United States of America and throughout the world, including –
 - Humanitarian aid to orphanages and to other organizations that provide assistance to orphan and vulnerable children
 - Establishing schools, transition homes and other living quarters for orphans
 - Assisting families and training fathers to help preserve and sustain families
 - Biblical training in schools, homes, and orphanages
 - Administrative support to other charitable organizations whose ministries are focused on at-risk children
 - Educating, equipping and supporting mentors to meet the needs of the foster care community
 - Currently, locations outside of the United States of America include Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, India, Kenya, Liberia, Mexico, Southeast Asia, Tanzania, Uganda, Ukraine, and Zambia
- Sustainable business program – 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
- Mission trips program – coordination of short-term mission trips to project locations

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 are recognized when incurred. Lifesong's financial statement presentation reports information regarding its net assets and changes therein according to two classes: without donor restrictions and with donor restrictions.

Accounting Estimates

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

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, 2019 and 2018, Lifesong held no cash equivalents. Lifesong maintained deposits with financial institutions that collectively exceeded the FDIC insured limit by approximately \$1,900 and \$5,400 as of June 30, 2019 and 2018, respectively. Management has determined collateral protection above the FDIC insurance limit is not necessary.

Periodically, Lifesong advances cash to missionary employees serving 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, 2019 and 2018 totaled \$574,257 and \$553,705, respectively.

Investments

Investments in certificates of deposit are recorded at cost, which approximates fair value. Investments in mutual funds are recorded at fair value. Investments that do not have readily determinable fair values are recorded 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.

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 \$27,291 as of both June 30, 2019 and 2018. Management believes all other agreements are fully collectible. When an agreement is deemed uncollectible, it is simply forgiven. During the years ended June 30, 2019 and 2018, agreements totaling \$20,500 and \$7,550, respectively, were forgiven. Management bases its decisions regarding collectability on historical experience and specific knowledge regarding individual agreements.

As of June 30, 2019 and 2018, these agreements are expected to be collected as follows:

	2019	2018
During the year ended -		
June 30, 2019	\$ -	\$ 273,588
June 30, 2020	449,895	189,826
June 30, 2021	11,817	-
Less allowance for doubtful accounts	<u>(27,291)</u>	<u>(27,291)</u>
	<u>\$ 434,421</u>	<u>\$ 436,123</u>

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 \$115,253 as of June 30, 2019 and 2018, respectively, represent unconditional promises to give to Lifesong. Management considers contributions receivable to be fully collectible within one year.

Property and Equipment

Property and equipment is stated at cost. Donations of property and equipment are recorded as contributions at estimated fair values on the date of donation. 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 \$1,072,125 and \$897,845 during the years ended June 30, 2019 and 2018, respectively.

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. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

When received, gifts of property and equipment are reported as support without donor restrictions 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 support with donor restrictions. 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.

Fair Value Measurements

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.

Lifesong reports all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) in one of the following three levels which are determined by the lowest level input that is significant to the fair value measurements in its entirety. The levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain other categories of expenses are allocated to more than one program or supporting function, including personnel costs, office expenses, occupancy and depreciation. These expenses are allocated on the basis of estimated time, effort or usage.

Liquidity and Availability of Resources

In the statements of financial position, Lifesong has sequenced its assets based on nearness of conversion to cash. Similarly, Lifesong has sequenced its liabilities based on nearness to maturity and use of cash.

Lifesong's financial assets available for general expenditure within one year of the financial position date are as follows:

	2019	2018
Cash	\$ 1,929,314	\$ 1,368,152
Mission field advances	574,257	553,705
Investments	7,873,104	7,537,458
Contributions receivable	-	115,253
Receivable from TMG Foundation	<u>461,608</u>	<u>-</u>
	<u>\$ 10,838,283</u>	<u>\$ 9,574,568</u>

As reported in the statements of financial position, Lifesong has significant net assets subject to donor restrictions. Included in those restrictions are amounts restricted for specific Church/group/family adoption assistance totaling \$6,358,049 and \$5,785,518 as of June 30, 2019 and 2018, respectively. In practice, these "funds" are operated similar to donor-advised funds and may not be available for general expenditure within one year of the statement of financial position dates. The other donor restrictions on net assets are operational in nature and thus do not place further restrictions on the availability of financial assets.

As part of its liquidity management, Lifesong periodically evaluates available cash balances and anticipated cash receipts to determine if its cash levels are sufficient for planned expenses and adjusts planned expenses accordingly to ensure that cash is available to meet all obligations when they come due.

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, except for income, if any, unrelated to Lifesong's charitable purpose.

Management has analyzed tax positions taken and believes that income tax filing positions will more-likely-than-not 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, 2019 or 2018. 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 2016.

Reclassifications of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

Subsequent Events

Lifesong has evaluated subsequent events through March 4, 2020, 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. INVESTMENTS

Investments consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Certificates of deposit, at cost	\$ 2,541,946	\$ 5,023,235
Investment in real estate income fund, at cost	1,000,000	1,000,000
Mutual funds, at fair value	4,167,748	1,005,487
Cash held in brokerage account	<u>163,410</u>	<u>508,736</u>
	<u>\$ 7,873,104</u>	<u>\$ 7,537,458</u>

Certificates of deposit have the following maturity dates as of June 30, 2019 and 2018:

	2019	2018
During the year ended -		
June 30, 2019	\$ -	\$ 3,714,672
June 30, 2020	1,062,055	809,775
June 30, 2021	<u>1,479,891</u>	<u>498,788</u>
	<u>\$ 2,541,946</u>	<u>\$ 5,023,235</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 consists of:

	2019	2018
Land	\$ 2,169,635	\$ 2,239,727
Land improvements	1,622,454	1,425,910
Buildings and improvements	9,277,666	7,797,956
Transportation equipment	1,749,954	1,441,238
Other equipment	4,306,341	3,167,888
Leasehold improvements	385,343	356,033
Accumulated depreciation	<u>(4,698,299)</u>	<u>(3,674,789)</u>
	<u>\$ 14,813,094</u>	<u>\$ 12,753,963</u>

As of June 30, 2019 and 2018, property and equipment (net of accumulated depreciation) is held at various project locations as follows:

	2019	2018
United States	\$ 610,683	\$ 372,906
Bolivia	12,535	19,538
Ethiopia	562,366	572,311
Guatemala	1,560,129	1,409,296
Haiti	3,822,822	3,065,378
India	322,232	334,321
Liberia	180,303	173,324
Uganda	165,396	163,727
Ukraine	4,174,779	3,768,534
Zambia	<u>3,401,849</u>	<u>2,874,628</u>
	<u>\$ 14,813,094</u>	<u>\$ 12,753,963</u>

NOTE 4. NET ASSETS

Net assets with donor restrictions as of June 30, 2019 and 2018 are as follows:

	2019	2018
Adoption assistance - specific Church, group, and family funds	\$ 6,358,049	\$ 5,785,518
Orphan and vulnerable children care	2,621,101	2,241,708
Mission trips	<u>61,838</u>	<u>42,538</u>
	<u>\$ 9,040,988</u>	<u>\$ 8,069,764</u>

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2019	2018
Adoption assistance - specific Church, group, and family funds	\$ 5,985,104	\$ 6,562,705
Orphan and vulnerable children care	7,895,407	8,153,089
Sustainable business development	1,234,736	860,994
Mission trips	679,051	728,247
Payment of management, general and fund raising costs	<u>1,561,996</u>	<u>1,080,259</u>
	<u>\$ 17,356,294</u>	<u>\$ 17,385,294</u>

NOTE 5. RELATED PARTY

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, 2019 and 2018 follows:

	2019	2018
Supporting activities		
Management and general	\$ 872,230	\$ 794,581
Fund raising	<u>1,048,076</u>	<u>941,794</u>
Total supporting activities	1,920,306	1,736,375
Other net revenues dedicated to pay for these costs	<u>(1,571,625)</u>	<u>(1,341,354)</u>
Remaining amount	<u>\$ 348,681</u>	<u>\$ 395,021</u>

Unrestricted contributions from TMG during the years ended June 30, 2019 and 2018 totaled \$348,681 and \$395,021, respectively – funding the “remaining amounts” above.

As of June 30, 2019 and 2018, receivable from TMG Foundation totaled \$461,608 and \$0, 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 both June 30, 2019 and 2018. These notes were issued in conjunction with sustainable business activities by Lifesong at the Bercy, Haiti project location. The notes are secured (guaranteed) by Lifesong property in Bercy, Haiti with a net book value of \$905,694 and \$930,208 as of June 30, 2019 and 2018, respectively.

NOTE 6. 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, 2019 and 2018 totaled \$44,790 and \$38,320, respectively.

NOTE 7. 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, 2019 and 2018, 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 by Lifesong through Lifesong’s establishment and approval of project location annual budgets and the provision of funding. Lifesong provides significant operating and capital funding for each of these project locations. Thus, all such foreign activity is included in these financial statements. Foreign source income of \$743,610 and \$749,837 was received during the years ended June 30, 2019 and 2018, respectively. Foreign currency translation losses totaling \$65,027 are included in ministry supplies and services for the year ended June 30, 2019.

Foreign location assets and liabilities as of June 30, 2019 and 2018, respectively, are as follows:

	2019	2018
Mission field advances (disclosed in Note 1)		
Prepaid expenses and other	\$ 46,391	\$ 38,048
Property and equipment (disclosed in Note 3)		
Accounts payable	45,603	70,217

NOTE 8. 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, 2019 and 2018, Lifesong had committed to matching grants of \$253,533 and \$215,630, respectively, for which grant conditions had not yet been met.

NOTE 9. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis as of June 30, 2019 and 2018 are as follows:

Level 1 – Quoted Prices in Active Markets for Identical Assets

	2019	2018
Mutual funds	\$4,167,748	\$1,005,487