

**LIFESONG FOR ORPHANS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Lifesong for Orphans, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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.*

February 9, 2015

LIFESONG FOR ORPHANS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Cash	\$ 1,251,728	\$ 1,231,023
Mission field advances	214,988	209,852
Certificates of deposit	4,254,762	3,502,711
Receivable from TMG Foundation (a related party)	153,040	-
Prepaid expenses and other	60,334	38,829
Notes receivable	246,255	342,613
Property and equipment, net	5,849,302	4,667,131
	<u>\$ 12,030,409</u>	<u>\$ 9,992,159</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 61,189	\$ 55,510
Accrued expenses	62,051	91,239
	<u>123,240</u>	<u>146,749</u>
<b>Net assets</b>		
Unrestricted	6,188,429	4,766,988
Temporarily restricted	5,718,740	5,078,422
	<u>11,907,169</u>	<u>9,845,410</u>
	<u>\$ 12,030,409</u>	<u>\$ 9,992,159</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2014 AND 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
General contributions	\$ 1,361,812	\$ 10,872,186	\$ 12,233,998
Contributions from TMG Foundation	263,870	-	263,870
Special events - revenue	141,019	-	141,019
Special events - related costs	(92,374)	-	(92,374)
Sustainable business income	147,837	-	147,837
Other income	46,746	434	47,180
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>10,232,302</b>	<b>(10,232,302)</b>	<b>-</b>
	<hr/>		
	12,101,212	640,318	12,741,530
	<hr/>		
<b>EXPENSES</b>			
Program services	9,636,817	-	9,636,817
<b>Supporting activities</b>			
Management and general	540,036	-	540,036
Fund raising	502,918	-	502,918
	<hr/>		
	1,042,954	-	1,042,954
	<hr/>		
	10,679,771	-	10,679,771
	<hr/>		
<b>CHANGE IN NET ASSETS</b>	<b>1,421,441</b>	<b>640,318</b>	<b>2,061,759</b>
<b>NET ASSETS - BEGINNING</b>	<b>4,766,988</b>	<b>5,078,422</b>	<b>9,845,410</b>
	<hr/>		
<b>NET ASSETS - ENDING</b>	<b>\$ 6,188,429</b>	<b>\$ 5,718,740</b>	<b>\$ 11,907,169</b>
	<hr/> <hr/>		

See accompanying notes.

2013

Unrestricted	Temporarily Restricted	Total
\$ 1,251,259	\$ 10,564,473	\$ 11,815,732
126,486	47,525	174,011
130,173	-	130,173
(93,486)	-	(93,486)
45,670	-	45,670
64,911	416	65,327
10,083,017	(10,083,017)	-
<hr/>		
11,608,030	529,397	12,137,427
<hr/>		
9,347,023	-	9,347,023
444,584	-	444,584
391,186	-	391,186
<hr/>		
835,770	-	835,770
<hr/>		
10,182,793	-	10,182,793
<hr/>		
1,425,237	529,397	1,954,634
3,341,751	4,549,025	7,890,776
<hr/>		
\$ 4,766,988	\$ 5,078,422	\$ 9,845,410
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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	<hr/> 990,864	<hr/> 42,484	<hr/> 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/> <hr/> \$ 5,664,249	<hr/> <hr/> \$ 3,145,232	<hr/> <hr/> \$ 124,014	<hr/> <hr/> \$ 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.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	Adoption Assistance	Orphan Care	Foster Care	Sustainable Business
Salaries and wages	\$ 132,639	\$ 772,705	\$ 44,304	\$ 75,717
Employee benefits	11,453	70,155	5,753	2,371
Payroll taxes	9,325	23,487	3,048	2,122
	<hr/>			
	153,417	866,347	53,105	80,210
Grants and allocations	-	779,594	-	-
Specific assistance	5,602,799	-	-	-
Professional fees	22,285	20,201	-	2,066
Office expenses	17,148	27,213	765	2,201
Ministry supplies	-	642,104	33,979	54,283
Occupancy	7,414	87,622	6,083	1,968
Conferences and training	20,073	12,591	3,217	1,600
Travel	43,397	121,215	11,164	29,499
Marketing and development	4,431	1,166	125	-
Miscellaneous	136	34,698	428	5,119
Depreciation	8,248	217,946	1,085	-
	<hr/>			
	\$ 5,879,348	\$ 2,810,697	\$ 109,951	\$ 176,946
	<hr/>			

See accompanying notes.

Mission Trips	Endowment Fund	Total Program Services	Management and General	Fund Raising	Total Supporting Activities	Total Expenses
\$ 636	\$ -	\$ 1,026,001	\$ 276,615	\$ 154,671	\$ 431,286	\$ 1,457,287
-	-	89,732	33,501	13,955	47,456	137,188
-	-	37,982	19,888	11,163	31,051	69,033
636	-	1,153,715	330,004	179,789	509,793	1,663,508
20,970	30,624	831,188	-	-	-	831,188
-	-	5,602,799	-	-	-	5,602,799
-	-	44,552	35,333	7,091	42,424	86,976
1,487	-	48,814	26,230	45,025	71,255	120,069
6,992	-	737,358	-	-	-	737,358
589	-	103,676	11,929	9,354	21,283	124,959
-	-	37,481	5,531	16,221	21,752	59,233
303,855	-	509,130	11,005	66,197	77,202	586,332
-	-	5,722	410	62,472	62,882	68,604
4,928	-	45,309	4,256	696	4,952	50,261
-	-	227,279	19,886	4,341	24,227	251,506
<u>\$ 339,457</u>	<u>\$ 30,624</u>	<u>\$ 9,347,023</u>	<u>\$ 444,584</u>	<u>\$ 391,186</u>	<u>\$ 835,770</u>	<u>\$ 10,182,793</u>

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,061,759	\$ 1,954,634
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	314,329	251,506
Contributions restricted for property and equipment	(1,005,851)	(1,079,527)
Loss on sale of property and equipment	584	2,572
Forgiveness of notes receivable	12,200	57,356
In-kind donations received	(54,687)	-
In-kind donations used in programs	17,285	-
In-kind donations made to others	6,240	-
(Increase) decrease in operating assets		
Receivable from TMG Foundation	(153,040)	95,412
Prepaid expenses and other	(21,505)	(26,445)
Advances to field missions	(3,923,634)	(3,482,206)
Advances used by field missions	3,918,498	3,433,702
Increase (decrease) in operating liabilities		
Accounts payable	21,126	(105,933)
Accrued expenses	(29,188)	51,595
	1,164,116	1,152,666
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(1,490,441)	(1,411,106)
Proceeds from sale of property and equipment	9,072	8,500
Purchases of certificates of deposit	(1,252,051)	(2,747,014)
Maturities of certificates of deposit	500,000	1,250,904
Notes receivable advances	(134,000)	(205,569)
Notes receivable repayments received	218,158	248,675
	(2,149,262)	(2,855,610)

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for property and equipment	<u>\$ 1,005,851</u>	<u>\$ 1,079,527</u>
Net cash provided by financing activities	<u>1,005,851</u>	<u>1,079,527</u>
INCREASE (DECREASE) IN CASH	20,705	(623,417)
CASH AT BEGINNING OF YEAR	<u>1,231,023</u>	<u>1,854,440</u>
CASH AT END OF YEAR	<u><u>\$ 1,251,728</u></u>	<u><u>\$ 1,231,023</u></u>
<b>SUPPLEMENTAL DATA</b>		
In-kind contributions of property received	<u>\$ 37,402</u>	<u>\$ -</u>
In-kind contributions of property made to others	<u>\$ 6,240</u>	<u>\$ -</u>

See accompanying notes.

LIFESONG FOR ORPHANS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

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 in Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, Honduras, India, Liberia, Ukraine and Zambia including –
  - Humanitarian aid to orphanages and to other organizations supporting orphans
  - Establishing schools, transition homes and other living quarters
  - Biblical training in orphanages
- 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, 2014 and 2013, Lifesong maintained deposits with financial institutions that collectively exceeded the FDIC insured limit by approximately \$189,700 and \$92,500, 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, 2014 and 2013, 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, 2014 and 2013 totaled \$214,988 and \$209,852, 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 and \$4,200 as of June 30, 2014 and 2013, 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, 2014 and 2013, agreements totaling \$12,200 and \$57,356, 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, 2014 and 2013, these agreements are expected to be collected as follows:

	2014	2013
During the year ended -		
June 30, 2014	\$ -	\$ 344,813
June 30, 2015	200,355	2,000
June 30, 2016	62,300	-
Less allowance for doubtful accounts	<u>(16,400)</u>	<u>(4,200)</u>
	<u>\$ 246,255</u>	<u>\$ 342,613</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 \$314,329 and \$251,506 during the years ended June 30, 2014 and 2013, 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, 2014 and 2013. 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 2011.



## Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets presented for the year ended June 30, 2013.

## Subsequent Events

Lifesong has evaluated subsequent events through February 9, 2015, 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, 2014 and 2013:

	2014	2013
During the year ended -		
June 30, 2014	\$ -	\$ 500,000
June 30, 2015	1,254,670	752,711
June 30, 2016	2,250,000	2,250,000
June 30, 2017	<u>750,092</u>	<u>-</u>
	<u>\$ 4,254,762</u>	<u>\$ 3,502,711</u>

## NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2014 and 2013 consists of:

	2014	2013
United States -		
Transportation equipment	\$ 14,000	\$ 14,000
Other equipment	173,938	153,561
Leasehold improvements	271,979	271,979
Accumulated depreciation	<u>(123,710)</u>	<u>(103,035)</u>
	<u>336,207</u>	<u>336,505</u>
Bolivia -		
Transportation equipment	<u>7,000</u>	<u>-</u>

Property and equipment, continued:

	2014	2013
Ethiopia -		
Land	\$ 39,341	\$ 34,740
Land improvements	99,660	84,554
Buildings and improvements	509,254	501,930
Transportation equipment	34,506	34,506
Other equipment	89,926	68,648
Accumulated depreciation	<u>(97,437)</u>	<u>(59,229)</u>
	<u>675,250</u>	<u>665,149</u>
Guatemala -		
Land	115,191	56,914
Land improvements	167,698	125,608
Buildings and improvements	244,230	102,438
Transportation equipment	20,721	21,974
Other equipment	44,008	19,915
Accumulated depreciation	<u>(38,661)</u>	<u>(16,820)</u>
	<u>553,187</u>	<u>310,029</u>
India -		
Buildings and improvements	390,343	379,849
Transportation equipment	25,258	25,258
Other equipment	29,780	25,579
Accumulated depreciation	<u>(105,837)</u>	<u>(90,145)</u>
	<u>339,544</u>	<u>340,541</u>
Liberia -		
Land	52,500	52,500
Land improvements	27,403	18,903
Buildings and improvements	100,394	89,571
Transportation equipment	6,000	6,000
Other equipment	23,873	17,943
Accumulated depreciation	<u>(26,833)</u>	<u>(17,758)</u>
	<u>183,337</u>	<u>167,159</u>
Ukraine -		
Land	416,680	416,680
Land improvements	171,396	113,962
Buildings and improvements	1,490,557	1,414,659
Transportation equipment	384,768	270,872
Other equipment	183,001	97,310
Accumulated depreciation	<u>(577,244)</u>	<u>(479,937)</u>
	<u>2,069,158</u>	<u>1,833,546</u>

Property and equipment, continued:

	2014	2013
Zambia		
Land	\$ 341,468	\$ 335,202
Land improvements	157,838	61,742
Buildings and improvements	986,005	581,522
Transportation equipment	147,692	53,728
Other equipment	226,157	60,560
Accumulated depreciation	<u>(173,541)</u>	<u>(78,552)</u>
	<u>1,685,619</u>	<u>1,014,202</u>
Grand totals -		
Land	965,180	896,036
Land improvements	623,995	404,769
Buildings and improvements	3,720,783	3,069,969
Transportation equipment	639,945	426,338
Other equipment	770,683	443,516
Leasehold improvements	271,979	271,979
Accumulated depreciation	<u>(1,143,263)</u>	<u>(845,476)</u>
	<u>\$ 5,849,302</u>	<u>\$ 4,667,131</u>

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013 are restricted for the following purposes:

	2014	2013
Adoption assistance - specific Church and family funds	\$ 4,999,394	\$ 4,284,745
Indigenous adoptions - Ukraine	15,262	-
Orphan care - various countries	657,780	436,960
Orphan care - missionaries	42,073	68,522
Sustainable business development	-	27,409
Mission trips	4,231	5,013
Endowment fund	-	15,000
Payment of management, general and fund raising costs in future years	<u>-</u>	<u>240,773</u>
	<u>\$ 5,718,740</u>	<u>\$ 5,078,422</u>

During the years ended June 30, 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2014	2013
Adoption assistance - specific Church and family funds	\$ 5,341,503	\$ 5,552,698
Indigenous adoptions - Ukraine	16,641	-
Orphan care - various countries	2,943,892	2,937,050
Orphan care - missionaries	460,336	388,749
Sustainable business development	332,241	148,824
Foster care	103,402	80,656
Mission trips	184,704	215,357
Endowment fund	34,875	30,624
Leasehold improvements - US office	-	18,922
Payment of management, general and fund raising costs	814,708	710,137
	<u>\$ 10,232,302</u>	<u>\$ 10,083,017</u>

#### NOTE 5. ENDOWMENT FUND

Over several years, donors within the same extended family have contributed a total of \$422,678 to Lifesong with the restriction of establishing an endowment 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 endowment 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 endowment fund should be disclosed, but the fund should not be presented in these financial statements.

During the years ended June 30, 2014 and 2013, Lifesong received \$24,875 and \$29,749, from family members and transferred \$39,875 and \$30,624, respectively, to NCF. Also during the years ended June 30, 2014 and 2013, NCF (through this donor-advised fund) contributed \$75,000 and \$38,500, respectively, back to Lifesong for the adoption assistance program. As of June 30, 2013, \$15,000 of restricted funds was on hand at Lifesong that was to be transferred to NCF. Also as of June 30, 2014 and 2013, the value of the endowment fund totaled \$185,688 and \$214,160, respectively, and was invested in money market and mutual funds.

NOTE 6. 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, 2014 and 2013 follows:

	2014	2013
Supporting activities		
Management and general	\$ 540,036	\$ 444,584
Fund raising	<u>502,918</u>	<u>391,186</u>
Total supporting activities	1,042,954	835,770
Other net revenues dedicated to pay for these costs	<u>(538,311)</u>	<u>(425,302)</u>
Remaining amount	<u><u>\$ 504,643</u></u>	<u><u>\$ 410,468</u></u>

Unrestricted contributions from TMG during the year ended June 30, 2014 and 2013 totaled \$263,870 and \$126,486, respectively. In addition, \$240,773 and \$269,227 of temporarily restricted net assets (restricted for payment of future management, general and fund raising costs) were used during the years ended June 30, 2014 and 2013, respectively. Also during the year ended June 30, 2013, TMG contributed \$28,603 and restricted these funds to pay for the personnel costs of individual missionaries (\$14,755 of these personnel costs were included in supporting activities).

As of June 30, 2014 and 2013, receivable from TMG Foundation totaled \$153,040 and \$0, 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 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. Lifesong currently conducts operations in Bolivia, Cambodia, Ethiopia, Guatemala, Haiti, Honduras, India, Liberia, Ukraine and Zambia.

In Honduras, Lifesong provides support through Tree of Life Missions, a U.S. charitable organization as defined in Internal Revenue Code Section 501(c)(3) that provides support to orphans in Honduras. In Ethiopia, Lifesong provides support through Misgana Ministries, NFP, a U.S. charitable organization as defined in Internal Revenue Code Section 501(c)(3) that provides support to orphans in Ethiopia. In the other project locations, Lifesong works with established, indigenous non-profit organizations to facilitate property ownership, employment of local personnel and other needs.

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 \$322,773 and \$109,572 was received during the years ended June 30, 2014 and 2013, respectively. Properties under the control of Lifesong in these foreign countries are indicated in Note 3 above.

#### 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, 2014 and 2013 totaled \$20,520 and \$7,712, respectively.

#### NOTE 9. 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, 2014 and 2013, Lifesong had committed to matching grants of \$110,302 and \$129,361, respectively, for which grant conditions had not yet been met.