

Life in Abundance International

Financial Statements

December 31, 2014

BYEMAN & CLEARY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Life in Abundance International

We have audited the accompanying financial statements of Life in Abundance International (a nonprofit corporation), which comprise the statement of financial position as of December 31, 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 audit. We conducted our audit 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 of 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 Life in Abundance International as of December 31, 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.



April 1, 2015

LIFE IN ABUNDANCE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2014	2013
<u>ASSETS</u>		
Current assets:		
Pledges receivable	\$2,837,324	\$2,384,580
Prepaid expenses	845	1,750
Total current assets	<u>2,838,169</u>	<u>2,386,330</u>
Property and equipment:		
Computers and office equipment	57,307	57,307
Website development	14,910	14,910
Construction in progress - Kenya training center	578,371	50,780
Land in Kenya	215,090	215,090
Less: accumulated depreciation	<u>(52,662)</u>	<u>(33,793)</u>
Net property and equipment	<u>813,016</u>	<u>304,294</u>
Other assets:		
Pledges receivable - noncurrent portion	1,004,028	401,290
Cash & cash equivalents for long term purposes	45,439	372,712
Deposits	<u>1,200</u>	<u>1,840</u>
Total other assets	<u>1,050,667</u>	<u>775,842</u>
Total assets	<u>\$4,701,852</u>	<u>\$3,466,466</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,187	\$ 46,068
Note payable	<u>120,000</u>	<u>-</u>
Total current liabilities / Total liabilities	<u>130,187</u>	<u>46,068</u>
Net assets:		
Unrestricted net assets	831,045	(283,700)
Temporarily restricted net assets	<u>3,740,620</u>	<u>3,704,098</u>
Total net assets	<u>4,571,665</u>	<u>3,420,398</u>
Total liabilities and net assets	<u>\$4,701,852</u>	<u>\$3,466,466</u>

The accompanying notes are an integral part of these financial statements.

LIFE IN ABUNDANCE INTERNATIONAL
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 1,171,552	\$ 2,721,073	\$ 3,892,625	\$ 774,108	\$ 2,040,787	\$ 2,814,895
Contributions - gifts-in-kind	55,340	-	55,340	43,857	-	43,857
Special events support	20,160	-	20,160	129,526	-	129,526
Special events direct benefit costs	(4,276)	-	(4,276)	(6,713)	-	(6,713)
Book and craft sales	2,472	-	2,472	3,287	-	3,287
Loss on sale of equipment	-	-	-	(114)	-	(114)
Interest income	144	-	144	278	-	278
	<u>1,245,392</u>	<u>2,721,073</u>	<u>3,966,465</u>	<u>944,229</u>	<u>2,040,787</u>	<u>2,985,016</u>
Net assets released due to satisfaction of restrictions	<u>2,684,551</u>	<u>(2,684,551)</u>	<u>-</u>	<u>2,077,874</u>	<u>(2,077,874)</u>	<u>-</u>
Total support and revenue	<u>3,929,943</u>	<u>36,522</u>	<u>3,966,465</u>	<u>3,022,103</u>	<u>(37,087)</u>	<u>2,985,016</u>
Expenses:						
Program services	2,381,128	-	2,381,128	2,901,233	-	2,901,233
Supporting activities:						
Management & general	276,757	-	276,757	225,766	-	225,766
Fundraising	157,313	-	157,313	141,295	-	141,295
Total expenses	<u>2,815,198</u>	<u>-</u>	<u>2,815,198</u>	<u>3,268,294</u>	<u>-</u>	<u>3,268,294</u>
Change in net assets	1,114,745	36,522	1,151,267	(246,191)	(37,087)	(283,278)
Net assets at beginning of year	<u>(283,700)</u>	<u>3,704,098</u>	<u>3,420,398</u>	<u>(37,509)</u>	<u>3,741,185</u>	<u>3,703,676</u>
Net assets at end of year	<u>\$ 831,045</u>	<u>\$ 3,740,620</u>	<u>\$ 4,571,665</u>	<u>\$ (283,700)</u>	<u>\$ 3,704,098</u>	<u>\$ 3,420,398</u>

The accompanying notes are integral part of these financial statements.

LIFE IN ABUNDANCE INTERNATIONAL

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	<u>Program</u> <u>Service</u>	<u>Management</u> <u>& General</u>	<u>Fund-</u> <u>Raising</u>	<u>Total</u> <u>Expenses</u>	<u>Program</u> <u>Service</u>	<u>Management</u> <u>& General</u>	<u>Fund-</u> <u>Raising</u>	<u>Total</u> <u>Expenses</u>
Wages	\$ 75,712	\$ 128,991	\$ 75,711	\$ 280,414	\$ 133,713	\$ 88,496	\$ 48,809	\$ 271,018
Employee benefits	8,005	13,639	8,004	29,648	13,664	9,202	5,019	27,885
Payroll taxes	6,091	10,377	6,092	22,560	13,574	9,142	4,986	27,702
Staff training	7,043	-	-	7,043	-	-	-	-
Bank, wire & merchant fees	-	11,785	-	11,785	-	5,664	-	5,664
Board expense	4,148	7,066	4,146	15,360	3,125	2,104	1,148	6,377
Computer supplies	361	613	359	1,333	12,250	8,250	4,500	25,000
Depreciation	5,096	8,680	5,094	18,870	9,787	6,591	3,595	19,973
Legal & accounting	-	44,034	-	44,034	-	37,921	-	37,921
Dues, subscriptions & registrations	1,020	1,739	1,022	3,781	2,156	1,452	792	4,400
Gifts-in-kind expense	49,057	-	-	49,057	17,608	-	-	17,608
Banquet expenses	-	-	8,928	8,928	-	-	-	-
Grants	2,037,873	-	-	2,037,873	2,382,291	-	-	2,382,291
Short term mission trips	135,739	-	-	135,739	199,047	-	-	199,047
Insurance	838	1,429	840	3,107	1,571	1,058	577	3,206
Occupancy	7,246	12,343	7,244	26,833	12,021	8,096	4,416	24,533
Outside service	5,436	9,263	22,937	37,636	20,206	13,608	46,752	80,566
Supplies	1,911	3,257	1,913	7,081	16,013	10,784	5,882	32,679
Printing	1,747	2,975	1,745	6,467	8,106	5,459	2,978	16,543
Postage	718	1,221	716	2,655	11,762	7,922	4,321	24,005
Promotions & advertising	5,849	9,963	5,847	21,659	385	259	141	785
Telecommunications	2,332	3,972	2,330	8,634	6,456	4,348	2,372	13,176
Travel	23,450	2,932	2,931	29,313	36,178	4,522	4,522	45,222
Website service	1,456	2,478	1,454	5,388	1,320	888	485	2,693
Total expenses	<u>\$ 2,381,128</u>	<u>\$ 276,757</u>	<u>\$ 157,313</u>	<u>\$ 2,815,198</u>	<u>\$ 2,901,233</u>	<u>\$ 225,766</u>	<u>\$ 141,295</u>	<u>\$ 3,268,294</u>

The accompanying notes are an integral part of these financial statements.

LIFE IN ABUNDANCE INTERNATIONAL

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 1,151,267	\$ (283,278)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	18,870	19,973
In-kind contributions of work in progress	-	(15,000)
Cash contributions restricted for building construction	(253,725)	(123,250)
Loss on sale of equipment	-	114
(Increase) decrease in:		
Pledges receivable	(1,055,482)	(42,099)
Inventory of books, DVDs and crafts	-	15,010
Prepaid expenses	905	5,728
Deposit	640	(700)
Increase (decrease) in:		
Accounts payable & accrued expenses	(35,882)	34,730
Net cash used by operating activities	(173,407)	(388,772)
Cash flows from investing activities:		
Purchase of construction in progress	(527,591)	(28,964)
Sale of office equipment	-	400
Net cash used by investing activities	(527,591)	(28,564)
Cash flows from financing activities:		
Received proceeds on note payable	120,000	-
Cash contributions restricted for building construction	253,725	123,250
Net cash provided by financing activities	373,725	123,250
Net decrease in cash and cash equivalents	(327,273)	(294,086)
Cash and cash equivalents at beginning of year	372,712	666,798
Cash and cash equivalents at end of year	\$ 45,439	\$ 372,712
Supplemental disclosures:		
Construction in progress and office equipment acquired through contributions.	\$ -	\$ 15,000

The accompanying notes are an integral part of these financial statements.

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. NATURE OF ORGANIZATION

Life in Abundance International (the Organization) is a nonprofit corporation incorporated in California to do community development and evangelistic work in partnership with churches in nine African countries and two Caribbean countries.

The scope of these financial statements is limited to the operations of Life in Abundance International in the United States of America and the Life in Abundance International headquarters in Kenya. The assets, liabilities, revenues and expenses of the other African and Caribbean affiliate organizations are not included in these financial statements.

Life in Abundance International is tax-exempt as a public charity under Internal Revenue Code Section 501(c)(3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Life in Abundance International uses accrual basis accounting.

Cash and cash equivalents

Cash is cash in bank checking accounts, a savings account and money market funds.

Inventory

Inventory is stated at the cost of items purchased or the fair market value of donated items. The first-in first-out method is used to account for withdrawals of inventory

Promises receivable

Unconditional promises to give are recognized as revenue or gains in the period received as either assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions, restricted contributions and reclassifications

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and equipment

Property and equipment is capitalized at cost or estimated fair market value at date of gift, and depreciated on a straight-line basis over estimated useful lives of 5 years for computers and office equipment and 3 years for website development.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Property and equipment (continued)

Absent donor directions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Accordingly, actual results could differ from those estimates.

Contributed products and services

During the year ended December 31, 2014, Bibles, printing services, shipping containers converted to medical clinics and other various items were donated to Life in Abundance International. The value of these items was \$55,340. Not reflected in these financial statements are many hours of service volunteered to the Organization by persons assisting the Organization's programs in capacities, which are not of a professional nature.

Classes of net assets

Unrestricted net assets include amounts available to be used at the discretion of the board of directors in the Organization's programs and operations and those resources invested in equipment. Temporarily restricted net assets are those that are restricted by donors for specific operating purposes. All donations are considered available for unrestricted use, unless specifically restricted by the donor.

Income taxes

The federal and state tax returns of the Organization for the years ended December 31, 2014, 2013 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the December 31, 2011 tax return is subject to examination by the state of California until four years after the date it was filed.

3. PLEDGES RECEIVABLE

Pledges consist of:

<u>Source</u>	<u>Amount</u>
Multi-year pledges of cash	\$1,970,701
Pledge of Jamaica training center	1,852,610
Single year pledges of cash	<u>18,041</u>
Total	<u>\$3,841,352</u>

Multi-year pledges receivable of \$1,970,701 are due from January 1, 2015 to June 30, 2018. These pledges have discount rates from .72% to 3.0%. The total unamortized discount was

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. PLEDGES RECEIVABLE (continued)

\$34,027 at December 31, 2014. Included in the multi-year pledges are seven pledges due from one church for a total of \$1,318,426, making 34% of total pledges. The additional multi-year pledges are from five foundations and one individual. The pledge for the Jamaica training center relates to conference grounds. As title to the property has not successfully transferred to the Organization it is reported as a pledge. Management of the Organization believes all the pledge amounts will be collected so no allowance for uncollectible pledges has been recorded. Amounts due in future years are:

<u>Year</u>	<u>Gross pledge</u>	<u>Discount</u>	<u>Net Pledge</u>
2015	\$2,855,736	\$18,412	\$2,837,324
2016	789,043	10,802	778,241
2017	190,600	3,648	186,952
2018	<u>40,000</u>	<u>1,165</u>	<u>38,835</u>
Pledges receivable	<u>\$3,875,379</u>	<u>\$34,027</u>	<u>\$3,841,352</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at year-end consist of:

<u>Restriction</u>	<u>2014</u>	<u>2013</u>
Training center improvement projects	\$2,189,195	\$2,463,062
Global mission health conference	79,318	---
Relief in the Horn of Africa	29,262	25,845
Relief in Haiti	---	76
Jamaica training center operations	---	4,689
Projects in Haiti	106,934	192,631
Ministry in North Africa	4,449	94,693
Projects in Djibouti	31,341	---
Projects in Eritrea	89,250	---
Projects in Jamaica	288,625	---
Projects in Sudan	88,004	187,628
Projects in South Sudan	153,337	379,834
Projects in Rwanda	125,827	---
Projects in Ethiopia	193,600	281,717
Projects in Kenya	<u>361,478</u>	<u>73,923</u>
Total	<u>\$3,740,620</u>	<u>\$3,704,098</u>

5. OPERATING LEASES

The Organization has an operating lease on office space in Louisville, Kentucky. This lease is on a month-to-month basis with monthly payments of \$400. A second one-year operating lease in Arlington, Texas calls for rental payments of \$1,200 until December 31, 2015. Future required lease payments are \$14,400 and are all due in 2015. For the year ended December 31, 2014 lease payments were \$19,500.

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

6. NOTE PAYABLE

The Organization borrowed \$120,000 from an individual during the year ended December 31, 2014. No interest is charged on this note. The full amount is due March 31, 2015. The note is unsecured. The note payable of \$120,000 was paid subsequent to year end.

7. SPECIAL EVENT

In the year 2014 the Organization conducted one banquet. Support received from this special event was \$20,160 (donations of \$18,000 and ticket sales of \$2,160) less \$4,276 in direct benefits provided to participants. All costs related to publicity, travel, salaries, and administration of this event has been included in fundraising expenses.

8. FAIR VALUE MEASUREMENTS

Assets and liabilities subject to fair value reporting are classified based on the type of inputs used to value the asset or liability. The three types are: valuations based on quoted market prices for identical assets exchanged in active markets (quoted prices), valuation inputs that are directly or indirectly observable in a market place (other market valuations), and inputs where there is no observable market place and therefore valuations are derived from the Organization's internal information (non – market valuations). Valuations based on the three types of inputs for the year ended December 31, 2014 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Cash equivalents	\$ 782	\$ ---	\$ ---
Pledge receivable	---	---	<u>3,841,351</u>
Total	<u>\$ 782</u>	<u>\$ ---</u>	<u>\$3,841,352</u>

<u>Description</u>	<u>Non – Market Valuations</u>
Beginning balance: Pledges receivable	\$2,785,870
Collection of pledges receivable	(1,093,512)
Pledges received in 2014	<u>2,148,994</u>
Ending balance: Pledges receivable	<u>\$3,841,352</u>

Fair values for December 31, 2013 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Cash equivalents	\$ 902	\$ ---	\$ ---
Pledge receivable	---	---	<u>2,785,870</u>
Total	<u>\$902</u>	<u>\$ ---</u>	<u>\$2,785,870</u>

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

8. FAIR VALUE MEASUREMENTS continued

<u>Description</u>	Non – Market <u>Valuations</u>
Beginning balance: Pledges receivable	\$2,743,771
Collection of pledges receivable	(919,231)
Pledges received in 2013	<u>961,330</u>
Ending balance: Pledges receivable	<u>\$2,785,870</u>

Pledges receivable are valued at total amount pledged at date of pledge net of an adjustment for net present value.

9. CONCENTRATIONS

Life in Abundance International maintains cash in banks located in Southern California. The deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, there were no of amounts in excess of insured limits based on actual bank balances. At other times during the year balances exceeded insurance limits.

Life in Abundance International is supported primarily by donor contributions. Approximately 29% of Life in Abundance International's total revenue was provided by one church.

10. PENSION PLAN

Life in Abundance International has a defined contribution plan covering all employees with at least two years of service. The required contribution to the plan is a 50% match of up to 4% of eligible employee compensation. In 2014 and 2013 no payments were made.

11. CONTINGENCY

The Organization is self- insured for all risks related to the training center in Jamaica.

12. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 1, 2015, the date which the financial statements were available to be issued, and there are two subsequent events to report. The pledges receivable include a pledge of a training center in Jamaica with a fair market value of \$1,852,610 in United States dollars. The gift of this property has been reported as a pledge because title will not transfer to the Organization until after December 31, 2014. Management believes that subsequent to year-end necessary documents and filings will occur and title will transfer. In future years this training center will be reported as property and equipment. The note payable of \$120,000 was paid subsequent to year end.