

Life in Abundance International
Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 6, 2017

LIFE IN ABUNDANCE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION

FOR REVIEW	December 31,	
	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 507,392	\$ 408,008
Pledges receivable	842,028	1,551,721
Inventory	1,070	-
Prepaid expenses	-	500
Total current assets	1,350,490	1,960,229
Property and equipment:		
Computers and office equipment	59,757	59,757
Website development	14,910	14,910
Construction in progress - Kenya training center	299,458	-
Buildings in Kenya and Jamaica	2,246,077	2,246,077
Land in Kenya and Jamaica	656,872	656,872
Less: accumulated depreciation	(166,780)	(103,264)
Net property and equipment	3,110,294	2,874,352
Other assets:		
Pledges receivable - noncurrent portion	797,716	697,424
Investments - endowment	262,350	-
Cash & cash equivalents for long term purposes	338,295	235,002
Deposits	900	900
Total other assets	1,399,261	933,326
Total assets	\$ 5,860,045	\$ 5,767,907
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,870	\$ 11,045
Accounts payable - affiliated organizations	-	100,000
Total current liabilities / Total liabilities	22,870	111,045
Net assets:		
Unrestricted net assets	3,646,770	3,362,742
Temporarily restricted net assets	1,940,405	2,044,120
Permanently restricted net assets	250,000	250,000
Total net assets	5,837,175	5,656,862
Total liabilities and net assets	\$ 5,860,045	\$ 5,767,907

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

LIFE IN ABUNDANCE INTERNATIONAL
STATEMENTS OF ACTIVITIES

FOR REVIEW	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	\$ 533,882	\$ 1,978,673	\$ -	\$ 2,512,555	\$ 986,021	\$ 2,231,074	\$ 250,000	\$ 3,467,095
Contributions - gifts-in-kind	43,960	-	-	43,960	6,636	-	-	6,636
Special events support	-	-	-	-	37,352	-	-	37,352
Special events direct benefit costs	-	-	-	-	(8,122)	-	-	(8,122)
Book and craft sales	125	-	-	125	525	-	-	525
Global health conference ticket sales	1,773	-	-	1,773	3,296	-	-	3,296
Foreign exchange loss	(14,230)	-	-	(14,230)	(38,431)	-	-	(38,431)
Interest income	16,800	-	-	16,800	2	-	-	2
	<u>582,310</u>	<u>1,978,673</u>	<u>-</u>	<u>2,560,983</u>	<u>987,279</u>	<u>2,231,074</u>	<u>250,000</u>	<u>3,468,353</u>
Net assets released due to satisfaction of restrictions	<u>2,082,388</u>	<u>(2,082,388)</u>	<u>-</u>	<u>-</u>	<u>3,927,574</u>	<u>(3,927,574)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,664,698</u>	<u>(103,715)</u>	<u>-</u>	<u>2,560,983</u>	<u>4,914,853</u>	<u>(1,696,500)</u>	<u>250,000</u>	<u>3,468,353</u>
Expenses:								
Program services	1,951,014	-	-	1,951,014	1,932,293	-	-	1,932,293
Supporting activities:								
Management & general	284,499	-	-	284,499	273,942	-	-	273,942
Fundraising	145,157	-	-	145,157	176,921	-	-	176,921
Total expenses	<u>2,380,670</u>	<u>-</u>	<u>-</u>	<u>2,380,670</u>	<u>2,383,156</u>	<u>-</u>	<u>-</u>	<u>2,383,156</u>
Change in net assets	284,028	(103,715)	-	180,313	2,531,697	(1,696,500)	250,000	1,085,197
Net assets at beginning of year	<u>3,362,742</u>	<u>2,044,120</u>	<u>250,000</u>	<u>5,656,862</u>	<u>831,045</u>	<u>3,740,620</u>	<u>-</u>	<u>4,571,665</u>
Net assets at end of year	<u>\$ 3,646,770</u>	<u>\$ 1,940,405</u>	<u>\$ 250,000</u>	<u>\$ 5,837,175</u>	<u>\$ 3,362,742</u>	<u>\$ 2,044,120</u>	<u>\$ 250,000</u>	<u>\$ 5,656,862</u>

The accompanying notes are integral part of these financial statements.

LIFE IN ABUNDANCE INTERNATIONAL

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2016				Year Ended December 31, 2015			
FOR REVIEW	<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	\$ 115,559	\$ 160,291	\$ 96,920	\$ 372,770	\$ 86,621	\$ 128,438	\$ 83,634	\$ 298,693
Employee benefits	7,070	9,806	5,930	22,806	7,030	10,424	6,787	24,241
Payroll taxes	9,328	12,939	7,823	30,090	7,076	10,492	6,832	24,400
Staff training	-	-	-	-	1,197	-	-	1,197
Bank, wire & merchant fees	-	18,324	-	18,324	-	14,024	-	14,024
Board expense	279	387	233	899	414	614	400	1,428
Computer supplies	685	951	575	2,211	403	597	389	1,389
Depreciation	58,435	3,167	1,914	63,516	42,395	4,970	3,237	50,602
Legal & accounting	-	48,957	-	48,957	-	48,420	-	48,420
Dues, subscriptions & registrations	1,250	1,734	1,049	4,033	1,488	2,205	1,436	5,129
Gifts-in-kind expense	40,889	-	-	40,889	5,090	-	-	5,090
Banquet expenses	-	-	-	-	-	-	20,549	20,549
Grants	1,494,160	-	-	1,494,160	1,536,952	-	-	1,536,952
Short term mission trips	181,639	-	-	181,639	194,536	-	-	194,536
Insurance	386	536	324	1,246	676	1,002	652	2,330
Occupancy	6,823	9,464	5,723	22,010	8,016	11,886	7,739	27,641
Outside service	1,973	2,737	6,154	10,864	11,610	17,215	29,254	58,079
Supplies	2,088	2,896	7,428	12,412	3,162	4,689	3,053	10,904
Printing	3,386	4,696	2,840	10,922	2,222	3,295	2,145	7,662
Postage	542	752	455	1,749	829	1,229	800	2,858
Promotions & advertising	1,894	2,627	4,089	8,610	5,522	8,188	5,331	19,041
Telecommunications	978	1,357	821	3,156	2,270	3,366	2,191	7,827
Travel	23,027	2,878	2,879	28,784	14,017	1,752	1,752	17,521
Website service	623	-	-	623	767	1,136	740	2,643
Total expenses	<u>\$ 1,951,014</u>	<u>\$ 284,499</u>	<u>\$ 145,157</u>	<u>\$ 2,380,670</u>	<u>\$ 1,932,293</u>	<u>\$ 273,942</u>	<u>\$ 176,921</u>	<u>\$ 2,383,156</u>

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

LIFE IN ABUNDANCE INTERNATIONAL
STATEMENTS OF CASH FLOWS

FOR REVIEW	Years Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 180,313	\$ 1,085,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,516	50,602
Cash contributions restricted for building construction	(85,000)	(155,295)
Contribution of in kind donations in inventory	(1,070)	-
(Increase) decrease in:		
Pledges receivable	609,401	(260,403)
Prepaid expenses	500	345
Deposit	-	300
Increase (decrease) in:		
Accounts payable - affiliated organizations	(100,000)	100,000
Accounts payable & accrued expenses	11,825	858
Net cash provided by operating activities	679,485	821,604
Cash flows from investing activities:		
Purchase of computer and office equipment	-	(2,450)
Purchase of investments	(250,000)	-
Interest reinvested on investments	(12,350)	-
Purchase of construction in progress	(299,458)	(256,878)
Net cash used by investing activities	(561,808)	(259,328)
Cash flows from financing activities:		
Principal payments on note payable	-	(120,000)
Cash contributions restricted for building construction	85,000	155,295
Net cash provided by financing activities	85,000	35,295
Net Increase in cash and cash equivalents	202,677	597,571
Cash and cash equivalents at beginning of year	643,010	45,439
Cash and cash equivalents at end of year	\$ 845,687	\$ 643,010
Supplemental disclosures:		
A pledge receivable was converted to land and building when title to the Jamaica property was transferred to the Organization during the year ended December 31, 2015	\$ -	\$ 1,852,610

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

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

FOR REVIEW

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 eight 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) and Section 23701d of the California Revenue and Taxation Code.

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, a PayPal account and money market funds.

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 3 to 5 years for computers, office equipment and website development. Buildings are depreciated over 40 years.

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.

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

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

During the year ended December 31, 2016, a shipping container converted to a medical clinic, sewing machines, medical supplies and other various items were donated to Life in Abundance International. The value of these items was \$43,960.

During the year ended December 31, 2015, Bibles, computers, medical supplies and other various items were donated to Life in Abundance International. The value of these items was \$6,636.

Contributed services

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 in 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. Permanently restricted net assets are those that represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted in accordance with donor intentions. All donations are considered available for unrestricted use, unless specifically restricted by the donor.

Inventory

Inventory consist of donated medical supplies and are carried at estimate fair market value at date of donation.

Income taxes

The federal and state tax returns of the Organization for the years ended December 31, 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the December 31, 2013 tax return is subject to examination by the state of California until four years after the date it was filed.

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

3. PLEDGES RECEIVABLE

At December 31, 2016 pledges consist of:

<u>Source</u>	<u>Amount</u>
Multi-year pledges	\$1,523,749
Single year pledges	<u>115,995</u>
Total	<u>\$1,639,744</u>

For the year ended December 31, 2016 multi-year pledges receivable of \$1,523,749 are due from January 1, 2017 to August 15, 2019. These pledges have discount rates from .85% to 3.0%. The total unamortized discount was \$27,402 at December 31, 2016. Included in the multi-year pledges are seven pledges due from one church for a total of \$1,133,027 making 69% of total pledges. The additional multi-year pledges are from seven foundations and six individuals. 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>
2017	\$ 856,069	\$14,041	\$ 842,028
2018	497,522	10,613	486,908
2019	<u>313,555</u>	<u>2,748</u>	<u>310,808</u>
Pledges receivable	<u>\$1,667,146</u>	<u>\$27,402</u>	<u>\$1,639,744</u>

At December 31, 2015 pledges consist of:

<u>Source</u>	<u>Amount</u>
Multi-year pledges	\$1,670,488
Single year pledges	<u>578,657</u>
Total	<u>\$2,249,145</u>

Multi-year pledges receivable of \$1,670,488 are due from January 1, 2016 to November 15, 2018. These pledges have discount rates from .72% to 3.0%. The total unamortized discount was \$39,317 at December 31, 2015. Included in the multi-year pledges are eight pledges due from one church for a total of \$979,226, making 44% of total pledges. The additional multi-year pledges are from five foundations and six individuals. 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>
2016	\$1,571,723	\$20,001	\$1,551,722
2017	511,106	13,396	497,710
2018	<u>205,633</u>	<u>5,920</u>	<u>199,713</u>
Pledges receivable	<u>\$2,288,462</u>	<u>\$39,317</u>	<u>\$2,249,145</u>

4. ENDOWMENT INVESTMENTS

At December 31, 2016 investments stated in US dollars consist of \$262,350 in term savings accounts in two banks in Kenya held in Kenyan Shillings. At the first bank 38% of the funds are

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

4. ENDOWMENT INVESTMENTS continued

held with an interest rate of 16.50% and a maturity date of March 17, 2017. The remaining 62% are held at the second bank with no interest earned and mature on April 6, 2017. These are the permanently restricted net asset described in note 7. These investments earned \$16,273 of interest.

5. OPERATING LEASE

The Organization has an operating lease on office space in Louisville, Kentucky. This lease began on September 15, 2016 and expires on September 14, 2017 with monthly payments of \$900. Future required lease payments are \$7,200 and are all due in 2017. For the year ended December 31, 2016 lease payments were \$10,800.

6. NOTE PAYABLE

The Organization borrowed \$120,000 from an individual during the year ended December 31, 2014. No interest was charged on this note and the note was unsecured. The note was paid in full during the year ended December 31, 2015.

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at year-end consist of:

<u>Restriction</u>	<u>2016</u>	<u>2015</u>
Training center improvement projects	\$ 338,295	\$ 447,502
Global mission health conference	42,198	23,330
Short term trips	8,371	---
Projects in Burundi	2,682	---
Relief in the Horn of Africa	126,740	15,759
Projects in Haiti	215,583	49,672
Ministry in North Africa	138,324	234,997
Projects in Djibouti	195,140	24,259
Projects in Eritrea	99,250	99,250
Projects in Jamaica	56,107	168,935
Projects in Sudan	329,830	6,785
Projects in South Sudan	---	191,576
Projects in Rwanda	65,588	97,913
Projects in Ethiopia	158,180	367,352
Projects in Kenya	161,117	316,790
Total	<u>\$1,940,405</u>	<u>\$2,044,120</u>

Permanently restricted net assets at both year-ends consist of \$250,000 for a permanent endowment to fund the administrative operations of the Organization's international office in Kenya.

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

8. SPECIAL EVENT

In the year 2015 the Organization conducted one banquet. Support received from this special event was \$37,352 of donations less \$8,122 in direct benefits provided to participants. All costs related to publicity, travel, salaries, and administration of this event have been included in fundraising expenses. There were no special events in 2016

9. 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, 2016 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Cash equivalents	\$6,938	\$ ---	\$ ---
Pledges receivable	---	---	<u>1,639,744</u>
Total	<u>\$6,938</u>	<u>\$ ---</u>	<u>\$1,639,744</u>

<u>Description</u>	<u>Non – Market Valuations</u>
Beginning balance: Pledges receivable	\$2,249,145
Collection of pledges receivable	(1,640,666)
Pledges received in 2016	<u>1,031,265</u>
Ending balance: Pledges receivable	<u>\$1,639,744</u>

Valuations based on the three types of inputs for the year ended December 31, 2015 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Cash equivalents	\$4,480	\$ ---	\$ ---
Pledges receivable	---	---	<u>2,249,145</u>
Total	<u>\$4,480</u>	<u>\$ ---</u>	<u>\$2,249,145</u>

<u>Description</u>	<u>Non – Market Valuations</u>
Beginning balance: Pledges receivable	\$3,841,352
Collection of pledges receivable	(3,167,157)
Pledges received in 2015	<u>1,574,950</u>
Ending balance: Pledges receivable	<u>\$2,249,145</u>

LIFE IN ABUNDANCE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

9. FAIR VALUE MEASUREMENTS continued

Pledges receivable are valued at total amount pledged at date of pledge net of discount for imputed interest.

10. 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, 2016, there was \$345,184 in excess of insured limits based on actual bank balances. At December 31, 2015, there was \$78,535 in excess of insured limits based on actual bank balances. At other times during the year balances exceeded insurance limits.

In the year ended December 31, 2016 Life in Abundance International is supported primarily by donor contributions. Approximately 42% of Life in Abundance International's total revenue was provided by one church.

In the year ended December 31, 2015 Life in Abundance International was supported primarily by donor contributions. Approximately 23% of Life in Abundance International's total revenue was provided by one church and one individual gave 16% of total revenue.

11. 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 participating employee compensation. In 2016 and 2015 no payments were made because there were no employee contributions.

12. CONTINGENCY

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

13. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 6, 2017, the date which the financial statements were available to be issued, and there are no subsequent events to report.