Love A Child, Inc.

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Love A Child, Inc.

We have audited the accompanying consolidated financial statements of Love A Child, Inc. (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Love A Child, Inc. as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Raleigh, North Carolina
June 27, 2017

Love A Child, Inc.
Consolidated Statements of Financial Postion
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	**$ 3,141,664**	$ 1,883,152
Investments	**241,649**	435,113
Property and equipment, net	**5,447,947**	5,599,051
Deposits	**1,045**	895
Total assets	**$ 8,832,305**	$ 7,918,211
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable accrued expenses	**$ 421,209**	$ 501,409
Note payable	**1,189,128**	1,442,134
Total liabilities	**1,610,337**	1,943,543
Unrestricted net assets	**7,221,968**	5,974,668
Total liabilities and net assets	**$ 8,832,305**	$ 7,918,211

See accompanying notes.

Love A Child, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted net assets:		
Unrestricted revenues and gains and other support:		
Contributions	**$ 14,183,513**	$ 13,019,566
In-kind contributions	**50,767,298**	39,895,750
Investment income	**7,457**	7,074
Realized and unrealized gain on investments	**27,824**	2,261
Miscellaneous income	**104,517**	93,566
Total unrestricted revenues, gains and other support	**65,090,609**	53,018,217
Expenses:		
Program services:		
Humanitarian	**60,202,680**	48,706,448
Supporting services:		
Management and general	**1,663,620**	1,823,709
Fundraising	**1,977,009**	1,851,837
Total supporting services	**3,640,629**	3,675,546
Total expenses	**63,843,309**	52,381,994
Change in net assets	**1,247,300**	636,223
Net assets at beginning of year	**5,974,668**	5,338,445
Net assets at end of year	**$ 7,221,968**	$ 5,974,668

See accompanying notes.

Love A Child, Inc.
Consolidated Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016				
	Program Services	Supporting Services			
	Humanitarian	Management & General	Fundraising	Total	Total Expenses
Contributed food and supplies	$ 50,740,951	$ -	$ -	$ -	$ 50,740,951
Compensation	2,077,548	903,238	-	903,238	2,980,786
Contract labor	78,276	-	12,840	12,840	91,116
Fringe benefits	66,873	33,107	-	33,107	99,980
Payroll taxes	143,628	69,829	-	69,829	213,457
Communication	86,374	12,937	104,041	116,978	203,352
Consulting and design	55,913	104,846	-	104,846	160,759
Rent	17,359	16,273	-	16,273	33,632
Supplies	101,301	30,998	7,328	38,326	139,627
Shipping and freight	1,447,699	6,398	-	6,398	1,454,097
Churches/schools/childcare	2,656,888	-	-	-	2,656,888
TV ministry	609,293	-	1,421,682	1,421,682	2,030,975
Other ministries	16,264	-	-	-	16,264
Utilities	337,036	4,443	-	4,443	341,479
Insurance	37,464	32,219	-	32,219	69,683
Vehicle maintenance	122,715	525	-	525	123,240
Travel and lodging	173,910	14,872	-	14,872	188,782
Postage	283,722	-	283,722	283,722	567,444
Dues and subscriptions	-	28,559	-	28,559	28,559
Advertising	5,792	-	-	-	5,792
Equipment lease	-	27,421	-	27,421	27,421
Interest expense	42,164	13,315	-	13,315	55,479
Printing	147,396	-	147,396	147,396	294,792
Professional--accounting	-	82,248	-	82,248	82,248
Professional--legal	22,260	8,281	-	8,281	30,541
Bank charges	18,855	29,411	-	29,411	48,266
Credit card processing fees	-	164,347	-	164,347	164,347
Taxes and licenses	56,530	6,053	-	6,053	62,583
Depreciation	562,701	27,670	-	27,670	590,371
Building cleaning and maintenance	281,598	33,936	-	33,936	315,534
Promotional events	12,170	12,170	-	12,170	24,340
Miscellaneous	-	524	-	524	524
Total expenses	$ 60,202,680	$ 1,663,620	$ 1,977,009	$ 3,640,629	$ 63,843,309

See accompanying notes.

Love A Child, Inc.
Consolidated Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

	2015				
	Program Services	Supporting Services			
	Humanitarian	Management & General	Fundraising	Total	Total Expenses
Contributed food and supplies	$ 39,513,425	$ -	$ -	$ -	$ 39,513,425
Compensation	2,052,719	945,035	-	945,035	2,997,754
Contract labor	48,861	-	8,800	8,800	57,661
Fringe benefits	85,629	36,142	-	36,142	121,771
Payroll taxes	150,655	74,986	-	74,986	225,641
Communication	145,798	42,865	-	42,865	188,663
Consulting and design	88,319	150,448	-	150,448	238,767
Rent	19,643	9,201	-	9,201	28,844
Supplies	108,243	34,166	2,530	36,696	144,939
Shipping and freight	1,265,762	6,154	-	6,154	1,271,916
Churches/schools/childcare	2,382,462	-	-	-	2,382,462
TV ministry	610,252	-	1,423,921	1,423,921	2,034,173
Other ministries	12,544	-	-	-	12,544
Utilities	376,275	4,710	-	4,710	380,985
Insurance	37,058	31,355	-	31,355	68,413
Vehicle maintenance	134,091	1,107	-	1,107	135,198
Travel and lodging	201,594	18,549	-	18,549	220,143
Postage	248,059	-	248,059	248,059	496,118
Dues and subscriptions	310	28,459	-	28,459	28,769
Advertising	5,946	-	-	-	5,946
Equipment lease	-	35,046	-	35,046	35,046
Interest expense	51,124	16,144	-	16,144	67,268
Printing	168,527	-	168,527	168,527	337,054
Professional--accounting	-	81,319	-	81,319	81,319
Professional--legal	22,485	16,202	-	16,202	38,687
Bank charges	12,399	24,683	-	24,683	37,082
Credit card processing fees	-	162,687	-	162,687	162,687
Taxes and licenses	68,599	7,017	-	7,017	75,616
Depreciation	645,780	39,664	-	39,664	685,444
Building cleaning and maintenance	238,579	41,955	-	41,955	280,534
Promotional events	11,310	11,310	-	11,310	22,620
Education/seminars	-	1,542	-	1,542	1,542
Miscellaneous	-	2,963	-	2,963	2,963
Total expenses	$ 48,706,448	$ 1,823,709	$ 1,851,837	$ 3,675,546	$ 52,381,994

Love A Child, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Operating activities:		
Change in net assets	**$ 1,247,300**	$ 636,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**590,371**	685,444
Non-operating in-kind contributions	**(26,347)**	(382,325)
Realized and unrealized gain on investments	**(27,824)**	(2,261)
Gain on disposal of property and equipment	**(1,361)**	-
Net change in:		
Deposits	**(150)**	250
Accounts payable and accrued expenses	**(80,200)**	(52,148)
Net cash provided by operating activities	**1,701,789**	885,183
Investing activities:		
Proceeds from sale of investments	**247,635**	5,179
Proceeds from sale of property and equipment	**2,300**	-
Purchase of property and equipment	**(440,206)**	(201,555)
Net cash used in investing activities	**(190,271)**	(196,376)
Financing activities:		
Principal payments on note payable	**(253,006)**	(62,045)
Net change in cash and cash equivalents	**1,258,512**	626,762
Cash and cash equivalents at beginning of year	**1,883,152**	1,256,390
Cash and cash equivalents at end of year	**$ 3,141,664**	$ 1,883,152
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 55,479**	$ 67,268
Noncash investing and financing activities:		
Contributed investments	**$ 26,347**	$ 211,792
Contributed property and equipment	**$ -**	$ 170,533

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Organization and Significant Accounting Policies

Love A Child, Inc. (the "Organization") exists to support needy individuals, primarily children, through humanitarian care such as medical and educational services, child support programs, orphanages, volunteer work programs, feeding programs and various other projects. The Organization is supported through contributions from the general public. The Organization offers the following programs:

- Child Care/Food Program
- Medical Crusades
- Education
- USA Church Crusades

The consolidated financial statements include the accounts of Love A Child Holding Limited Liability Company ("LLC"). The Organization is the sole member of the LLC. All significant intercompany transactions and account balances have been eliminated in consolidation.

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no temporarily or permanently restricted net assets at December 31, 2016 or 2015.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and other support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts. The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair value on the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The general range of estimated useful lives for buildings, building improvements, and leasehold improvements are 10 to 40 years and the general range for furniture and equipment and vehicles is 3 to 10 years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Absent donor stipulations 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 as instructed by the donor.

Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are met. Unconditional promises to give due in the next year, are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported based on the net present value of the projected fair value at the date that those assets are expected to be received, considering the likelihood of the promise being fulfilled. In 2016 and 2015, there were no conditional or unconditional promises to give. During 2016 and 2015, there were no temporarily restricted contributions received or expended.

In-kind contributions consist of food, clothes, medical supplies, equipment and investments. These contributions are recorded at fair value when received.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among program and supporting services. Salaries and other expenses associated with a specific program are charged directly to that program while salaries that benefit more than one program are allocated to the various programs based on management’s estimates of how time was spent. Other expenses that benefit more than one program are allocated by use of such methods as floor space usage and salary percentages as appropriate.

Subsequent Events

The Organization evaluated the effect of subsequent events would have on the consolidated financial statements through June 27, 2017, which is the date the consolidated financial statements were available to be issued.

2. Investments

Investments at December 31 are summarized as follows:

	2016	2015
Coins	$ 22,508	$ 60,656
Marketable equity securities	219,141	374,457
Total investments	$ 241,649	$ 435,113

Investment income of $7,457 and $7,074 during 2016 and 2015, respectively, consists of unrestricted interest income and dividends. Unrealized gain on investments amounted to $16,059 and $2,261 at December 31, 2016 and 2015, respectively. Realized gain on investments amounted to $11,765 at December 31, 2016.

3. Fair Values of Assets and Liabilities

Fair value as defined under U.S. GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Accounting principles generally accepted in the United States of America establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Assets and Liabilities at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks, mutual funds, and exchange-traded funds which are valued based on prices readily available in the active markets in which those securities are traded. Level 2 investments include coins which are valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during 2016. There were no changes during 2016 to the Organization’s valuation techniques used to measure asset and liability fair values on a recurring basis.

The table below presents the balances of assets measured at fair value on a recurring basis.

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Common stocks	**$ 165,479**	**$ 165,479**	**$ -**	**$ -**
Coins	**22,508**	**-**	**22,508**	**-**
Mutual funds	**36,991**	**36,991**	**-**	**-**
Exchange-traded funds	**16,671**	**16,671**	**-**	**-**
Total investments	**$ 241,649**	**$ 219,141**	**$ 22,508**	**$ -**

	December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Common stocks	$ 155,865	$ 155,865	$ -	$ -
Coins	60,656	-	60,656	-
Mutual funds	204,354	204,354	-	-
Exchange-traded funds	14,238	14,238	-	-
Total investments	$ 435,113	$ 374,457	$ 60,656	$ -

4. Property and Equipment

Property and equipment include the following at December 31:

	2016	**2015**
Furniture and equipment	**$ 865,460**	$ 828,865
Vehicles	**1,519,640**	1,215,752
Land	**855,700**	855,700
Land improvements	**380,877**	380,877
Buildings	**7,422,773**	7,340,646
Building improvements	**1,226,711**	1,212,676
Construction in progress	**-**	1,802
	12,271,161	11,836,318
Less accumulated depreciation	**6,823,214**	6,237,267
Property and equipment, net	**$ 5,447,947**	$ 5,599,051

5. Note Payable

In May 2011, the Organization purchased an office building in Fort Myers, Florida in part using the proceeds of a $1,704,250 note payable. Monthly payments of principal and interest at 4.5% are made over a 20 year amortization period with a balloon payment of all principal and interest due in May 2016. In June 2016, the Organization refinanced this note payable. Monthly payments of principal and interest at 3.95% will be made over a 60 month amortization period with a balloon payment of all principal and interest due in June 2021. The note payable is secured by the assignment of rents as well as essentially all property located in the United States of the Organization. The note payable is subject to certain debt covenants including a requirement to maintain a debt service coverage ratio of 1.3 to 1 at fiscal year end. The Organization was in compliance with this covenant for the year ended December 31, 2016.

Maturities of the note payable as of December 31 are as follows:

2017	$ 62,007
2018	64,505
2019	67,104
2020	69,697
2021	925,815
Total	$ 1,189,128

6. Operating Leases

The Organization is obligated under non-cancelable operating leases for certain administrative facilities and equipment. Most of the leases include options for renewal at the end of the current lease term. Total lease and rent expense for 2016 and 2015 was approximately $61,000 and $64,000, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2016:

2017	$ 8,520
2018	8,520
2019	8,520
2020	6,080
2021	932
	$ 32,572

7. Concentrations

Financial instruments that potentially expose the Organization to concentrations of credit risk, as defined by U.S. GAAP, consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation.

The Organization receives in-kind contributions from various organizations which consist primarily of seeds, vitamins, medicines, and labor related to the enhancement of the Organization's mission. The Organization received its in-kind contributions from the following organizations:

	2016	2015
MAP International	**$ 22,506,849**	$ 26,850,765
Cross International	**22,353,049**	6,768,841
Feed My Starving Children	**5,625,418**	5,027,046
World Vision	**35,919**	342,779
Sports Missions International	**-**	207,504
International Aid	**36,796**	148,946
Dr. Audrey Pullman	**-**	56,970
Shrewsbury Gospel Temple	**-**	39,614
Hands in Service	**-**	29,337
Buckeye International	**86,371**	-
PET International	**11,600**	-
Chapin Living Waters	**5,000**	-
Hope Seed	**79,950**	-
Other	**26,346**	423,948
Total	**$ 50,767,298**	$ 39,895,750

8. Foreign Operations

The Organization conducts humanitarian and other program operations in Haiti and has property and equipment, with a net book value of approximately $2,947,000 located in Haiti. The Organization's revenues are from sources within the United States and it maintains its bank accounts in the United States. Account balances relating to foreign operations are reflected in the consolidated financial statements in United States dollars.

9. Donated Materials and Services

The Organization receives donated materials from a variety of sources as disclosed in Note 7. The Organization also receives donated services from a variety of unpaid volunteers. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services and materials for the years ended December 31 are summarized as follows:

	2016	2015
Clothes, food and medicine	**$ 50,740,951**	$ 39,513,425
Equipment	**-**	170,533
Investments	**26,347**	211,792
Total	**$ 50,767,298**	$ 39,895,750

10. Joint Activities Disclosures

During the years ended December 31, 2016 and 2015, the Organization incurred $2,030,975 and $2,034,173, respectively, of costs related to production of television programming. The joint costs related to this activity that have been allocated among functional expenses are as follows:

	2016	2015
Program services	**$ 609,293**	$ 610,252
Fundraising	**1,421,682**	1,423,921
	$ 2,030,975	$ 2,034,173

11. 401(k) Plan

The Organization maintains a 401(k) plan for all eligible employees. An eligible employee is one that is a U.S. Citizen, has attained the age of twenty-one and has completed six months of service. The Organization makes matching contributions on the first 3% of compensation. The Organization contributed approximately $44,000 and $47,000 to the plan for the years ended December 31, 2016 and 2015, respectively.