



LIFE OUTREACH INTERNATIONAL  
ASSOCIATION OF CHURCHES, INC.  
*and* AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2018 and 2017

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Life Outreach International Association  
of Churches, Inc. and Affiliates  
Eules, Texas

We have audited the accompanying consolidated financial statements of Life Outreach International Association of Churches, Inc. and Affiliates which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 auditor's 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 entity'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 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees  
Life Outreach International Association  
of Churches, Inc. and Affiliates  
Eules, Texas

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Life Outreach International Association of Churches, Inc. and Affiliates as of December 31, 2018 and 2017, and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Grapevine, Texas  
April 26, 2019

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Consolidated Statements of Financial Position**

	December 31,	
	2018	2017
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,187,276	\$ 16,808,290
Inventories–net	2,312,878	2,490,217
Prepaid expenses and other assets	659,161	682,477
Investments	1,724,553	1,876,807
Property and equipment–net	7,515,221	8,014,647
<b>Total Assets</b>	<b>\$ 24,399,089</b>	<b>\$ 29,872,438</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 2,249,234	\$ 2,718,116
Accrued liabilities	277,776	215,908
	2,527,010	2,934,024
Net assets:		
Net assets without donor restrictions:		
Undesignated	14,438,372	18,940,752
Equity in property and equipment–net of related obligations	7,433,707	7,997,662
	21,872,079	26,938,414
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,399,089</b>	<b>\$ 29,872,438</b>

See notes to consolidated financial statements

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Consolidated Statements of Activities**

	Year Ended December 31,	
	2018	2017
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>SUPPORT AND REVENUE:</b>		
Contributions	\$ 51,391,857	\$ 55,453,445
Product resources	2,697,079	2,684,826
Investment income (loss)	(86,932)	302,368
Other revenue	88,504	66,310
<b>Total Support and Revenue</b>	<b>54,090,508</b>	<b>58,506,949</b>
<b>EXPENSES:</b>		
Program services:		
Media ministries— <i>Life Today</i>	17,929,965	19,318,774
Missions outreach and project ministries	17,638,122	17,970,130
Literature and audio/visual distribution ministries	8,033,557	8,145,265
	43,601,644	45,434,169
Supporting activities:		
General and administrative	4,143,034	4,155,344
Fund-raising	10,886,892	10,970,967
	15,029,926	15,126,311
<b>Total Expenses Without Donor Restrictions</b>	<b>58,631,570</b>	<b>60,560,480</b>
<b>Change in Net Assets Without Donor Restrictions before Zoe's Operations</b>	<b>(4,541,062)</b>	<b>(2,053,531)</b>
<b>Zoe's Operations (see Note 1):</b>		
Rental income	408,625	250,466
Operating expenses	(933,898)	(943,160)
<b>Zoe's Net Operating Loss</b>	<b>(525,273)</b>	<b>(692,694)</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(5,066,335)</b>	<b>(2,746,225)</b>
<b>Net Assets, Beginning of Year</b>	<b>26,938,414</b>	<b>29,684,639</b>
<b>Net Assets, End of Year</b>	<b>\$ 21,872,079</b>	<b>\$ 26,938,414</b>

See notes to consolidated financial statements

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2018

	Program Services			Supporting Activities		Totals
	Media Ministries— <i>Life Today</i>	Missions Outreach and Project Ministries	Literature and Audio/Visual Distribution Ministries	General and Administrative	Fund-raising	
Media expenses	\$ 13,026,079	\$ -	\$ 1,809,178	\$ -	\$ 3,256,520	\$ 18,091,777
Relief and development grants *	214,576	10,666,893	74,021	168,795	93,994	11,218,279
Salaries and wages	2,230,077	3,364,773	987,873	1,701,278	827,750	9,111,751
Printing and postage	139,245	221,577	3,101,145	503,561	4,392,523	8,358,051
Professional services	562,168	1,790,156	1,183,732	415,141	1,885,223	5,836,420
Employee benefits	541,057	703,891	254,514	387,363	166,911	2,053,736
Product resources	30,652	562,910	444,209	58,858	60,132	1,156,761
Maintenance	278,367	194,583	121,411	187,660	56,684	838,705
Other expenses	220,802	15,226	26,824	480,148	26,370	769,370
Depreciation expense	569,039	-	-	123,035	76,897	768,971
Insurance	78,744	70,573	8,366	87,701	30,420	275,804
Lease expense	38,319	24,651	6,750	26,351	10,510	106,581
Royalties	840	22,889	15,534	3,143	2,958	45,364
Total LOI expenses	<u>17,929,965</u>	<u>17,638,122</u>	<u>8,033,557</u>	<u>4,143,034</u>	<u>10,886,892</u>	<u>58,631,570</u>
ZOE expenses	<u>310,816</u>	<u>513,877</u>	<u>-</u>	<u>67,203</u>	<u>42,002</u>	<u>933,898</u>
Total consolidated expenses	<u>\$ 18,240,781</u>	<u>\$ 18,151,999</u>	<u>\$ 8,033,557</u>	<u>\$ 4,210,237</u>	<u>\$ 10,928,894</u>	<u>\$ 59,565,468</u>
Percentage of Total Expenses	30.6%	30.5%	13.5%	7.1%	18.3%	100.0%

\* Fund-raising for relief and development grants is reported as part of media expenses.

See notes to consolidated financial statements

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2017

	Program Services			Supporting Activities		Totals
	Media Ministries— <i>Life Today</i>	Missions Outreach and Project Ministries	Literature and Audio/Visual Distribution Ministries	General and Administrative	Fund-raising	
Media expenses	\$ 15,023,704	\$ -	\$ 2,086,626	\$ -	\$ 3,755,926	\$ 20,866,256
Relief and development grants *	-	10,652,628	-	-	-	10,652,628
Salaries and wages	2,147,482	3,418,980	1,047,493	1,747,599	843,095	9,204,649
Printing and postage	157,460	183,663	2,953,266	465,577	4,033,562	7,793,528
Professional services	387,121	1,743,577	1,188,399	399,603	1,858,830	5,577,530
Employee benefits	493,664	662,796	243,947	371,773	159,698	1,931,878
Product resources	24,618	469,008	363,149	51,059	52,753	960,587
Maintenance	74,316	190,119	139,221	216,218	35,544	655,418
Other expenses	314,115	525,192	107,666	666,782	109,763	1,723,518
Depreciation expense	613,283	-	-	132,602	82,876	828,761
Insurance	71,426	65,032	7,731	79,708	27,717	251,614
Lease expense	11,585	24,175	5,107	22,227	7,107	70,201
Royalties	-	34,960	2,660	2,196	4,096	43,912
Total LOI expenses	19,318,774	17,970,130	8,145,265	4,155,344	10,970,967	60,560,480
ZOE expenses	310,816	523,139	-	67,203	42,002	943,160
Total consolidated expenses	\$ 19,629,590	\$ 18,493,269	\$ 8,145,265	\$ 4,222,547	\$ 11,012,969	\$ 61,503,640
Percentage of Total Expenses	31.9%	30.1%	13.2%	6.9%	17.9%	100.0%

\* Fund-raising for relief and development grants is reported as part of media expenses.

See notes to consolidated financial statements



**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (5,066,335)	\$ (2,746,225)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,188,992	1,248,782
Gain on sale of assets	(29,310)	(14,859)
Change in value of gift annuities	(11,922)	22,676
Matured annuities	(23,876)	(17,305)
Realized and unrealized (gains) losses on investments—net	216,185	(208,432)
Changes in operating assets and liabilities:		
Inventories—net	177,339	(436,845)
Prepaid expenses and other assets	23,316	355,858
Accounts payable and other liabilities	(521,996)	423,188
Accrued liabilities	61,868	(36,355)
Net Cash Used by Operating Activities	(3,985,739)	(1,409,517)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(612,263)	(360,942)
Purchases of investments	(90,534)	(95,709)
Proceeds from sale of property and equipment	40,919	-
Proceeds from sale of investments	26,603	27,726
Net Cash Used by Investing Activities	(635,275)	(428,925)
Net Change in Cash and Cash Equivalents	(4,621,014)	(1,838,442)
Cash and Cash Equivalents, Beginning of Year	16,808,290	18,646,732
Cash and Cash Equivalents, End of Year	\$ 12,187,276	\$ 16,808,290
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest (none capitalized)	\$ 4,096	\$ 3,714
<b>NONCASH FINANCING AND INVESTING ACTIVITIES:</b>		
Assets acquired via trade-in	\$ -	\$ 36,000
Assets acquired through capital lease obligations	\$ 88,912	\$ -

See notes to consolidated financial statements

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 1. NATURE OF ORGANIZATION:

Life Outreach International Association of Churches, Inc. (LOI) is a Texas not-for-profit corporation that is governed by a board of trustees, who serve without compensation as volunteers. LOI is a Christian organization dedicated to sharing the transforming truth of God's love in word and deed. LOI encourages the support of missions and relief programs in areas of need throughout the world. Utilizing the tremendous potential of broadcast media to fulfill the mission, LOI inspires believers to share the promise of life and hope with others.

LOI has been recognized by the Internal Revenue Service as a church and association of churches organized and operated exclusively for religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As such, it is not required to file the annual information return Form 990. As a 509(a)(1) and 170(b)(1)(A)(i) organization that is not a private foundation, donors may deduct contributions as provided in section 170 of the Internal Revenue Code. LOI's primary source of income is contributions from donors.

Life for Children, Inc. (Children) is a Texas not-for-profit corporation whose purpose is to provide charitable humanitarian relief efforts, assistance, and development throughout the world. As the board of trustees of Children is appointed by the board of LOI, the financial statements of Children have been consolidated herewith. All significant intercompany balances and transactions have been eliminated in consolidation.

Zoe Aviation, Inc. (ZOE) is a Texas for-profit corporation whose purpose is to hold title and operate certain aviation and other equipment that is both used by LOI and chartered as available to others. ZOE is a wholly owned subsidiary of LOI. As such, the financial statements of ZOE have been consolidated herewith. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain officers of LOI serve in leadership or board positions with a U.S. charity whose purpose is to support relief and other humanitarian aid internationally. Further, LOI provides accounting and other supporting services to the U.S. charity. Additionally, LOI has entered into a service agreement with a Canadian ministry to distribute *Life Today* telecasts in Canada, develop direct mail packages to inform ministry partners in Canada, etc., as the Canadian ministry has similar purpose and outreach to LOI. However, control does not exist through any majority ownership or majority voting interest in the board of either the U.S. charity or the Canadian ministry. Accordingly, these entities are not included in the accompanying consolidated financial statements.

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

In conducting its ministries of compassion, such as mission feeding and water wells, LOI partners with other charities who operate in specific geographical and outreach areas. LOI's most significant partners are Joint Aid Management (JAM) and a JAM affiliate, Jesus Alive Ministries, both of which are U.S. tax exempt 501(c)(3) organizations. The JAM organizations conduct ministry outreaches including feeding, water wells, disaster relief, and crusades throughout Africa. They are under the control of an independent board, receive independent audits of its operations, and are regulated by supporting agencies such as the U.N. World Food Program. LOI establishes specific objectives, defines accountability and expectations, and sets parameters for the use of funds granted to JAM, subject to the oversight and review of the LOI board, senior management, and its independent audit firm.

*Operations*—LOI is an organization dedicated to sharing the life and love of Jesus Christ with men, women, and children worldwide by means of personal ministry, media outreach, and ministries of compassion. James Robison, the founder and host of the popular television program *Life Today*, seeks not only to declare the love of God but to demonstrate it as well through various mission outreaches to children and families here at home and around the globe.

Ministry in the United States is conducted by means of television, conferences and meetings, and by providing literature and media aids to its supporters and followers. LOI is supported primarily by voluntary contributions from listeners and the general public.

Ministries of compassion worldwide are conducted through partnering charities (not-for-profit organizations) in various countries that are independent of LOI. However, LOI establishes specific relationships and agreements, defines accountability and program expectations, and sets parameters for the use of funds granted to or expended through these partners.

*Life Today Telecasts*—*Life Today* is taped before a live studio audience at the International Studio and Headquarters near Fort Worth, Texas.

*Prayer Center*—LOI reaches inward to the spirit and soul of the friends and viewers by being available to pray with them in times of special need. The prayer center includes a 24-hour prayer line.

*Spiritual Life Library*—LOI develops and distributes audio and video products, and a variety of printed materials to the spiritual seeking.

*Mission Feeding*—LOI's aim is to reach out not only in word but also in deed by ministering to those who are experiencing great physical need.

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

*Water Wells*—Water sustains the precious gift of life. Water for Life is drilling wells in some of the most desolate areas of the world.

*Evangelism*—Sharing Jesus with a needy world is the cornerstone of LOI's vision. In cooperation with our mission partners, evangelistic efforts include city-crusades and film-evangelism teams around the world with television outreach being the main avenue.

*Life Centers*—The Centers, operated by LOI partners, serve numerous purposes in places widely scattered around the world. These Centers are dedicated to the communities they serve, adapting and changing in function as the needs of the community change. They minister to the hurting through orphanages, training centers, food factories, medical clinics, churches, and retreat centers. They become an oasis of life for the people they touch.

*Disaster Relief and Special Projects*—LOI's mission teams and partners reach out to those who are experiencing human suffering caused by natural disasters and other world events.

*Churches for Life*—This is a powerful way for churches to reach out locally, nationally, and internationally without the added administrative burden of maintaining an in-house missions department. Churches for Life allows local churches to become partners and/or members of the association to make a greater impact through evangelistic outreaches, Life Centers, feeding programs, new water well drilling, and disaster relief.

*Friends for Life*—Friends for Life is a special group of supporters which provides a consistent foundation of resources to help LOI impact the world. They are recipients of various ministry materials and tools for their personal spiritual journey.

*The Stream*—A national daily where individuals concerned about the nation can gather for news, wisdom, and inspiration and not feel as if faith must exist in the margins.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

LOI maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in checking and savings accounts. These accounts may, at times, exceed federally insured limits. As of December 31, 2018 and 2017, LOI's cash balances exceeded federally insured limits by approximately \$16,974,000 and \$14,651,000, respectively. LOI has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

#### INVENTORIES—NET

Inventory primarily consists of books, audio and video products, which are recorded at the lower of cost or net realizable value using the first-in, first-out method. These items serve primarily as gifts to contributors and are charged to expense when used. Donated gifts are recorded at the estimated fair value on the date of donation. An allowance for obsolete inventory is based on management estimate, which includes consideration of the movement of inventory and current economic conditions.

#### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value with realized and unrealized gains and losses included as revenue without donor restriction in the consolidated statements of activities. Investments with no readily determinable fair value are carried at estimated fair value, normally based upon appraised values. Donated investments are recorded at the fair value on the date of donation and thereafter carried in accordance with the above provisions.

#### PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment are recorded at cost or at estimated fair value at the date of gift. LOI capitalizes purchases in excess of \$1,500 with lesser amounts expensed in the year purchased. Depreciation is computed using the straight-line method over the following estimated useful lives or lease terms of assets:

	<u>Estimated Useful Lives</u>
Land improvements	10 to 15 years
Buildings	25 years
Furniture and equipment	3 to 7 years
Transportation assets	5 to 20 years
Capitalized leases—office equipment	5 to 10 years

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS

*Net assets without donor restrictions* are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment.

LOI features specific outreaches (such as Life Centers, Mission Feeding, Life Today telecasts, and Water for Life) as examples of the programs it supports and conducts. All contributions are considered to be without restriction as to use unless explicitly stipulated by the donor.

#### SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets are transferred to LOI. Contributions restricted by the donor for a specific purpose are recorded as support in the "with donor restrictions" class of net assets until funds have been expended by LOI for the purpose specified. Upon satisfaction of the purpose restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor restrictions, which have been fully expended for their intended purposes within the reporting period, are reported as contributions without donor restrictions.

LOI reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, LOI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LOI receives indications of intent to support from individuals and churches that provide monthly, quarterly, or annual gifts of a specified amount. These indications of intent are open-ended and subject to unilateral change by the donor. They are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

LOI offers ministry-related resources to the public. These resources are available whether or not a contribution is made; however, a suggested donation is requested. During the years ended December 31, 2018 and 2017, material costs of approximately \$1,120,000 and \$1,830,000 were incurred, respectively, and are included in the consolidated statements of activities.

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**EXPENSES**

Expenses are recognized when incurred in accordance with the accrual basis of accounting. Expenses include grants to other charities of approximately \$10,067,000 and \$10,653,000 for the years ended December 31, 2018 and 2017, respectively, of which approximately \$6,211,000 and \$6,535,000, respectively, was provided to JAM and its affiliate (see Note 1.)

**FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of LOI. Those expenses included media expenses, salaries and wages, printing and postage, professional fees, other expenses, benefits, product resources, depreciation, maintenance, insurance, royalties, and lease expenses. Salaries and wages, professional fees, and benefits are allocated based upon estimates of time and effort. Depreciation, maintenance, insurance, and lease expenses are allocated based upon an estimate of square footage used. Media expenses, printing and postage, other expenses, product resources, and royalties are allocated based upon estimates of the service type provided and benefits received. All of the methods described above are translated into percentages that are then used to allocate the categories across their program and supporting functions. Percentages used to allocate expenses are reviewed annually to ensure that they continue to accurately reflect the nature of the activities.

**INCOME TAXES**

ZOE determines its deferred tax provision under the liability method whereby deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts using presently enacted tax rates. The deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

3. INVENTORIES—NET:

Inventories—net consist of:

	December 31,	
	2018	2017
Product inventory	\$ 2,186,479	\$ 2,370,257
Supplies and materials	122,150	115,911
Donated gifts	24,249	24,049
	2,332,878	2,510,217
Less allowance for obsolete inventory	(20,000)	(20,000)
	\$ 2,312,878	\$ 2,490,217

# LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

#### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. LOI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, LOI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. As of December 31, 2018 and 2017, LOI had no Level 2 or Level 3 investments.

The following tables present the fair value measurements of investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis, and are considered Level 1 investments within the fair value hierarchy at December 31, 2018 and 2017:

	December 31,	
	2018	2017
Investments:		
Money market fund	\$ 110,415	\$ 55,729
Common stock:		
Technology	-	141,168
Mutual funds:		
Growth fund	337,996	480,105
Bond fund	332,639	383,612
Value fund	319,932	501,230
Foreign blend fund	172,777	-
Blend fund	170,029	192,969
Allocation fund	81,872	-
Emerging market fund	72,661	83,287
Foreign value fund	57,408	-
Foreign growth fund	35,628	-
Real estate fund	33,196	38,707
	1,614,138	1,679,910
Total Investments	\$ 1,724,553	\$ 1,876,807



**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
OF CHURCHES, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

Valuation Techniques:

*Money market fund*—fair value approximates the carrying value due to their short-term nature.

*Common stock and mutual funds*—fair value is based on quoted market prices in an active market.

*Changes in methods and assumptions*—None.

Investment income consists of:

	Year Ended December 31,	
	2018	2017
Interest and dividends	\$ 150,898	\$ 114,052
Realized losses on investments—net	(168)	(1,885)
Unrealized gains (losses) on investments—net	(216,017)	210,317
Investment management fees	(21,645)	(20,116)
	\$ (86,932)	\$ 302,368

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December 31,	
	2018	2017
Land and improvements	\$ 1,007,408	\$ 1,007,408
Buildings	9,595,347	9,451,787
Leasehold improvements	23,295	23,295
Transportation assets	8,788,793	8,760,674
Furniture and equipment	11,059,808	10,779,967
	30,474,651	30,023,131
Less accumulated depreciation and amortization	(22,978,630)	(22,008,484)
	7,496,021	8,014,647
Website in process	19,200	-
	\$ 7,515,221	\$ 8,014,647

**LIFE OUTREACH INTERNATIONAL ASSOCIATION  
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**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

5. PROPERTY AND EQUIPMENT–NET, continued:

Equity in property and equipment–net of related obligations consists of:

	December 31,	
	2018	2017
Property and equipment–net	\$ 7,515,221	\$ 8,014,647
Less related obligations	(81,514)	(16,985)
	\$ 7,433,707	\$ 7,997,662

Depreciation expense for the years ended December 31, 2018 and 2017, was \$1,188,992 and \$1,248,782, respectively.

6. COMMITMENTS:

Future minimum lease payments under various operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2018, are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 42,240
2020	42,240
2021	42,240
2022	35,200
	\$ 161,920

Total rental expenses of \$106,581 and \$70,201 were incurred during the years ended December 31, 2018 and 2017, respectively.

ZOE, in conjunction with its operations, has entered into commitments with minimum annual funding of approximately \$247,798 through November 2020. The annual costs could be higher based upon ZOE's operations.

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7. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the LOI's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year, including amounts set aside by management for the funding of LOI's annuity obligations and for long-term investment return production. The amounts set aside to meet annuity obligations or for long-term investment return could be drawn upon at management's discretion. All financial assets listed below are considered to be convertible to cash within one year.

	December 31,	
	2018	2017
Financial assets:		
Cash and cash equivalents	\$12,187,276	\$ 16,808,290
Miscellaneous receivables	-	69,167
Investments	1,724,553	1,876,807
Financial assets, at year-end	13,911,829	18,754,264
Less those unavailable for general expenditure within one year, due to:		
Investments held at management's discretion for the purpose of funding annuity obligations	(18,039)	(18,180)
Investments held at management's discretion for the purpose of long-term investment return	(1,064,901)	(1,211,175)
Financial assets available to meet cash needs for general expenditures within one year	\$12,828,889	\$ 17,524,909

LOI seeks to maintain flexibility and security when managing its liquidity. Accordingly, reserves are maintained in cash accounts. Other financial assets include investments and receivables. Investments are maintained in highly liquid asset categories. Receivables are expected to be received within the next 12 months. Investments are maintained primarily for the purpose of funding annuity obligations and providing returns on long-term financial reserves. LOI does not actively move funds from cash and cash equivalents to investments for the purpose of gaining returns on short to mid-term financial reserves. Receivables will be used to provide additional liquidity as payments are received

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8. JOINT ACTIVITIES AND ALLOCATION OF JOINT COSTS:

The following information summarizes only the portion of total expenses that are considered to be “joint costs” of “joint activities” according to accounting standards. These costs do not include any broadcasting expenses related to special projects, such as Water for Life, because they are fully allocated to fund-raising. The expenditures for these projects are reported as program expenses.

In 2018 and 2017, LOI conducted activities, more fully described below, that included appeals for contributions that incurred joint costs of \$31,314,075 and \$33,880,651, respectively. These activities included *Life Today* telecasts, events, constituent ministry materials and newsletters, and direct mail. Joint costs were:

	Year Ended December 31, 2018				
	<i>Life Today</i> Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries–					
<i>Life Today</i>	\$ 14,476,816	\$ 87,071	\$ 2,070,088	\$ -	\$ 16,633,975
Missions outreach and project ministries	-	184,290	523,988	-	708,278
Literature and audio/visual distribution ministries	1,543,795	12,093	2,803,664	1,364,788	5,724,340
Supporting activities:					
General and administrative	-	-	296,437	-	296,437
Fund-raising	3,152,330	49,416	1,564,793	3,184,506	7,951,045
	\$ 19,172,941	\$ 332,870	\$ 7,258,970	\$ 4,549,294	\$ 31,314,075

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8. JOINT ACTIVITIES AND ALLOCATION OF JOINT COSTS, continued:

	Year Ended December 31, 2017				
	<i>Life Today</i> Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries–					
<i>Life Today</i>	\$ 15,571,254	\$ 72,182	\$ 2,339,535	\$ -	\$ 17,982,971
Missions outreach and project ministries	-	195,823	826,238	-	1,022,061
Literature and audio/visual distribution ministries	1,783,051	10,025	3,059,855	1,343,664	6,196,595
Supporting activities:					
General and administrative	-	-	340,145	-	340,145
Fund-raising	3,513,191	47,543	1,642,929	3,135,216	8,338,879
	\$ 20,867,496	\$ 325,573	\$ 8,208,702	\$ 4,478,880	\$ 33,880,651

*Life Today Telecasts*—The *Life Today* telecast is the flagship ministry program of LOI. It is a half-hour program that is principally ministry in nature using a talk show and guest setting format. The ministry focus is upon current Christian issues and concerns. The hosts are James and Betty Robison who share the Gospel with the listening audience, including words of faith and encouragement to believers in the Lord Jesus Christ. Guests are regularly interviewed and include noted Christian authors, pastors, evangelists, business leaders, and others. At the end of each program, listeners are told that the telecast is a listener-supported ministry and advised how they may support *Life Today* with their gifts.

*Events*—Events consist of meetings and banquets held at sites throughout the country in which LOI invites donors and other guests for a time of ministry outreach and challenge, sharing about LOI’s ministry, and an opportunity to support its work.

*Constituent Ministry Materials and Newsletters*—Constituent ministry materials and newsletters include the distribution of books, audio/visual products, and other literature to donors and others.

*Direct Mail*—Direct mail consists of mailings that are fund-raising in nature but also include materials that are intended to fulfill ministry purposes by providing books, devotional products, and other material to serve and challenge Christians.

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### 9. RELATED PARTY TRANSACTIONS:

As described in Note 1, LOI provided certain services to a Canadian ministry under the terms of a service agreement. During 2018 and 2017, LOI sold inventory to the Canadian ministry at its cost of approximately \$130,000 and \$145,000, respectively, and included in sales of publications and fees in the accompanying consolidated statements of activities. The Canadian ministry reimbursed LOI approximately \$24,300 and \$6,400 for management and other services provided under the terms of the agreement for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, LOI recorded receivables from the Canadian ministry of approximately \$46,000 and \$45,000, respectively.

LOI utilizes marketing entities operated by an individual who is related to a current trustee. The services provided relate to strategy, ministry marketing, social media, and direct mail services. Annual marketing and representation fees paid by LOI during the years ended December 31, 2018 and 2017, for these services was \$1,718,000 and \$1,758,000, respectively. Reimbursed costs for products, printing, call center, and mailing expenses incurred for the years ended December 31, 2018 and 2017, approximated \$5,610,000 and \$5,952,000, respectively. As of December 31, 2018 and 2017, amounts due were approximately \$103,000 and \$123,000, respectively.

LOI purchased approximately \$214,000 and \$129,000 during the years ended December 31, 2018 and 2017, respectively, for rental services and production from a company where the son of the executive team is owner and operator.

### 10. EMPLOYEE BENEFIT PLANS:

#### RETIREMENT PLAN

LOI provides a defined contribution plan qualified under section 403(b)9 which allows eligible employees to participate through payroll deductions and provides an employer match ranging from 2% to 10%. LOI made contributions to the plan of approximately \$368,000 and \$334,000 during the years ended December 31, 2018 and 2017, respectively.

#### HEALTH BENEFIT PLAN

LOI provides medical group insurance through a health care provider for employees and eligible dependents. During the years ended December 31, 2018 and 2017, LOI paid medical insurance premium payments of approximately \$1,339,000 and \$1,266,000, respectively.

### 11. INCOME TAXES:

Utilizing a 21% and 15% enacted tax rate for the years ending December 31, 2018 and 2017, respectively, ZOE's cumulative net operating losses create a deferred tax asset of \$1,836,171 and \$1,725,863, respectively. ZOE does not project generating sufficient taxable income to realize its deferred tax asset; therefore, ZOE has recorded the same amount as a valuation allowance.

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12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 26, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.