



LIFE OUTREACH INTERNATIONAL
ASSOCIATION OF CHURCHES, INC.
AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

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
Euless, Texas

Opinion

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, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Life Outreach International Association of Churches, Inc. and Affiliates as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Life Outreach International Association of Churches, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Outreach International Association of Churches, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Life Outreach International Association of Churches, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Outreach International Association of Churches, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Irving, Texas
August 30, 2024

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	December 31,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 26,653,636	\$ 32,237,381
Investments	2,508,229	2,245,257
Prepaid expenses and other assets	608,697	684,031
Inventories—net	2,138,458	2,149,465
Operating lease right-of-use assets	-	204,058
Finance lease right-of-use assets	263,674	-
Property and equipment—net	8,747,305	5,836,990
Total Assets	\$ 40,919,999	\$ 43,357,182
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 2,746,539	\$ 2,531,619
Operating lease obligation	-	204,058
Finance lease obligations	267,082	-
Total liabilities	3,013,621	2,735,677
Net assets:		
Net assets without donor restrictions	37,906,378	40,621,505
Total Liabilities and Net Assets	\$ 40,919,999	\$ 43,357,182

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,	
	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE:		
Contributions	\$ 51,923,146	\$ 57,456,279
Gift-in-kind donations	6,650	6,250
Product resources	2,670,620	3,191,807
Investment return-net	1,026,351	(287,626)
Other revenue	20,703	(3,111)
Total Support and Revenue	<u>55,647,470</u>	<u>60,363,599</u>
EXPENSES:		
Program services:		
Media ministries— <i>Life Today</i>	16,041,831	16,028,746
Missions outreach and project ministries	16,723,381	17,357,141
Literature and audio/visual distribution ministries	8,066,085	7,925,412
	<u>40,831,297</u>	<u>41,311,299</u>
Supporting activities:		
General and administrative	4,881,874	4,851,891
Fundraising	11,628,478	11,945,770
	<u>16,510,352</u>	<u>16,797,661</u>
Total Expenses Without Donor Restrictions	<u>57,341,649</u>	<u>58,108,960</u>
Change in Net Assets Without Donor Restrictions before Zoe's Operations	<u>(1,694,179)</u>	<u>2,254,639</u>
Zoe's Operations (see Note 1):		
Rental income	280,500	337,960
Operating expenses	(1,301,448)	(1,034,686)
Zoe's Net Operating Loss	<u>(1,020,948)</u>	<u>(696,726)</u>
Change in Net Assets Without Donor Restrictions	(2,715,127)	1,557,913
Net Assets, Beginning of Year	<u>40,621,505</u>	<u>39,063,592</u>
Net Assets, End of Year	<u>\$ 37,906,378</u>	<u>\$ 40,621,505</u>

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services				Supporting Activities		
	Media Ministries— <i>Life Today</i>	Missions Outreach and Project Ministries	Literature and Audio/Visual Distribution Ministries	Subtotal	General and Administrative	Fundraising	Totals
Television broadcast contracts	\$ 10,867,584	\$ -	\$ 1,505,867	\$ 12,373,451	\$ -	\$ 2,713,376	\$ 15,086,827
Salaries and wages	2,127,358	3,690,441	1,153,105	6,970,904	1,837,683	812,151	9,620,738
Relief and development grants *	400,968	7,776,787	25,466	8,203,221	264,948	196,949	8,665,118
Professional services	600,739	2,030,784	1,177,625	3,809,148	433,269	3,528,724	7,771,141
Printing and postage	84,340	377,825	2,873,266	3,335,431	555,889	3,687,184	7,578,504
Employee benefits	612,959	927,352	352,013	1,892,324	540,584	209,431	2,642,339
Product premiums	-	683,769	682,610	1,366,379	75,885	76,189	1,518,453
Other expenses	183,023	113,929	40,138	337,090	522,080	53,893	913,063
Occupancy	221,139	322,163	86,797	630,099	155,791	93,136	879,026
Depreciation	628,919	-	-	628,919	135,982	84,989	849,890
Maintenance	138,597	245,380	159,872	543,849	246,798	49,980	840,627
Travel	77,804	377,546	1,567	456,917	20,699	76,078	553,694
Insurance	98,401	155,355	7,759	261,515	92,266	36,948	390,729
Honorariums	-	22,050	-	22,050	-	9,450	31,500
Total LOI expenses	16,041,831	16,723,381	8,066,085	40,831,297	4,881,874	11,628,478	57,341,649
ZOE depreciation, other expenses	317,599	872,260	-	1,189,859	68,670	42,919	1,301,448
Total Consolidated Expenses	\$ 16,359,430	\$ 17,595,641	\$ 8,066,085	\$ 42,021,156	\$ 4,950,544	\$ 11,671,397	\$ 58,643,097
Percentage of Total Expenses	27.9%	30.0%	13.8%	71.7%	8.4%	19.9%	100.0%

* Fundraising 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, 2022

	Program Services				Supporting Activities		
	Media Ministries— <i>Life Today</i>	Missions Outreach and Project Ministries	Literature and Audio/Visual Distribution Ministries	Subtotal	General and Administrative	Fundraising	Total Expenses
Television broadcast contracts	\$ 10,874,827	\$ 1,031	\$ 1,511,080	\$ 12,386,938	\$ 1,546	\$ 2,718,878	\$ 15,107,362
Relief and development grants *	501,040	9,779,957	31,735	10,312,732	330,343	242,517	10,885,592
Salaries and wages	2,218,946	3,342,212	1,045,271	6,606,429	1,733,347	842,556	9,182,332
Printing and postage	99,498	347,370	2,844,580	3,291,448	594,459	3,933,991	7,819,898
Professional services	429,637	1,371,581	1,279,407	3,080,625	444,961	3,602,451	7,128,037
Employee benefits	656,399	824,437	323,013	1,803,849	521,758	203,987	2,529,594
Product premiums	-	618,285	615,149	1,233,434	68,546	68,938	1,370,918
Other expenses	184,989	81,679	38,381	305,049	570,559	42,365	917,973
Maintenance	191,231	278,968	148,070	618,269	231,126	65,243	914,638
Occupancy	204,155	268,644	80,522	553,321	139,018	77,157	769,496
Depreciation	541,283	-	-	541,283	117,034	73,146	731,463
Travel	39,569	296,004	1,585	337,158	18,942	40,244	396,344
Insurance	87,172	146,573	6,594	240,339	80,227	34,247	354,813
Honorariums	-	400	25	425	25	50	500
Total LOI expenses	16,028,746	17,357,141	7,925,412	41,311,299	4,851,891	11,945,770	58,108,960
ZOE depreciation, other expenses	314,328	609,918	-	924,246	67,963	42,477	1,034,686
Total Consolidated Expenses	\$ 16,343,074	\$ 17,967,059	\$ 7,925,412	\$ 42,235,545	\$ 4,919,854	\$ 11,988,247	\$ 59,143,646
Percentage of Total Expenses	27.6%	30.4%	13.4%	71.4%	8.3%	20.3%	100.0%

* Fundraising 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,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,715,127)	\$ 1,557,913
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,279,078	1,156,230
Amortization	53,343	-
Loss on sale of assets	93,064	-
Change in value of gift annuities	6,392	12,459
Realized and unrealized loss (gain) on investments—net	(160,970)	286,345
Changes in operating assets and liabilities:		
Inventories—net	11,007	(159,778)
Prepaid expenses and other assets	75,334	(191,201)
Accounts payable and other liabilities	208,528	134,069
Net Cash Provided (Used) by Operating Activities	<u>(1,149,351)</u>	<u>2,796,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,282,457)	(877,545)
Purchases of investments	(730,977)	(308,980)
Proceeds from sale of investments	628,975	407,457
Net Cash Used by Investing Activities	<u>(4,384,459)</u>	<u>(779,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid on finance leases	(49,935)	-
Net Cash Used by Financing Activities	<u>(49,935)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(5,583,745)	2,016,969
Cash and Cash Equivalents, Beginning of Year	<u>32,237,381</u>	<u>30,220,412</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 26,653,636</u></u>	<u><u>\$ 32,237,381</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 8,100</u>	<u>\$ -</u>
Finance right-of-use asset obtained in exchange for finance lease obligation	<u>\$ 317,017</u>	<u>\$ -</u>
Operating right-of-use asset obtained in exchange for operating lease obligation	<u>\$ -</u>	<u>\$ 234,000</u>

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 leased 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 LOI Canada to distribute *Life Today* telecasts in Canada and 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 LOI Canada. 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, 2023 and 2022

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 ForAfrika and its affiliates, Jesus Alive Ministries, both of which are U.S. tax exempt 501(c)(3) organizations. These 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 the organizations, 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.

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.

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

1. NATURE OF ORGANIZATION, continued:

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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2023 and 2022, LOI's cash balances exceeded federally insured limits by approximately \$26,748,000 and \$30,838,000, respectively.

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.

FINANCE AND OPERATING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS

Right-of-use assets represent LOI's right to use the underlying asset for the lease term. Right-of-use assets and related liabilities are recognized at commencement date based on the net present value of lease payments over the lease term discounted using a risk-free rate. Another expedient includes accounting for lease and non-lease components as a single lease component. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The additional lease disclosures can be found in Note 7.

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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.

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

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. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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, 2023 and 2022, material costs of approximately \$1,518,000 and \$1,371,000 were incurred, respectively, and are included in the consolidated statements of functional expenses as product premiums.

EXPENSES

Expenses are recognized when incurred in accordance with the accrual basis of accounting. Expenses include grants to other charities of approximately \$8,665,000 and \$10,886,000 for the years ended December 31, 2023 and 2022, respectively, of which approximately \$5,181,800 and \$5,495,000, respectively, was provided to ForAfrika and its affiliate (see Note 1).

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of LOI. Those expenses include 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. Maintenance, insurance, and lease expenses are allocated based upon an estimate of square footage used. Depreciation is allocated based on the types of assets in service and estimates of benefit to departments. 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.

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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,	
	2023	2022
Product inventory	\$ 1,956,608	\$ 1,991,052
Supplies and materials	169,551	152,764
Donated gifts	32,299	25,649
	2,158,458	2,169,465
Less allowance for obsolete inventory	(20,000)	(20,000)
	<u>\$ 2,138,458</u>	<u>\$ 2,149,465</u>

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022:

	December 31,	
	2023	2022
Investments:		
Money market fund	\$ 213,417	\$ 227,611
Common stock	175,212	171,628
Mutual funds:		
Bond fund	442,981	682,831
Emerging market fund	34,549	78,760
Foreign blend fund	133,075	119,000
Foreign growth fund	157,510	45,492
Growth fund	500,460	332,543
Income Fund	89,749	65,347
Real estate fund	42,430	38,894
Value fund	718,846	483,151
	2,119,600	1,846,018
	\$ 2,508,229	\$ 2,245,257

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4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

Valuation techniques:

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

Mutual funds and common stock—fair value is based on quoted market prices in an active market.

Changes in methods and assumptions—None.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December 31,	
	2023	2022
Land and improvements	\$ 1,039,399	\$ 1,039,399
Buildings	11,830,795	9,803,870
Leasehold improvements	-	23,295
Transportation assets	9,196,111	8,881,620
Furniture and equipment	12,420,827	12,639,295
	<u>34,487,132</u>	<u>32,387,479</u>
Less accumulated depreciation and amortization	(27,484,066)	(27,298,358)
	7,003,066	5,089,121
Website and media infrastructure in process	1,744,239	747,869
	<u>\$ 8,747,305</u>	<u>\$ 5,836,990</u>

Total depreciation expense for the years ended December 31, 2023 and 2022, was \$1,279,078 and \$1,156,230 respectively. For the years ended December 31, 2023 and 2022, this included depreciation of \$848,890 and \$731,463 for LOI, respectively, and \$429,188 and \$424,767 for ZOE, respectively.

6. COMMITMENTS:

LOI entered into an agreement for audio and visual equipment totaling \$4,338,933 during the year ended December 31, 2023. As of December 31, 2023, approximately \$3,127,000 remained outstanding.

ZOE, in conjunction with its operations, has entered into commitments with minimum annual funding of approximately \$332,150 through November 2024. The annual costs could be higher based upon ZOE's operations.

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Notes to Consolidated Financial Statements

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7. LEASE OBLIGATIONS:

LOI has two finance leases for equipment expiring in fiscal years 2027 and 2028. The leases have a quarterly payment of \$9,752 and \$9,512. The discount rate represents the risk-free rate using a period comparable with that of the individual lease term on the inception date of the lease. On January 31, 2023, LOI ended their operating lease by purchasing the warehouse for \$1,900,000, thereby ending the lease. The warehouse is included in property and equipment in the year ended December 31, 2023. Short-term leases with a term of 12 or fewer months are not reflected on the consolidated statements of financial position, and costs are expensed as incurred.

	December 31, 2023	2022
Operating lease right-of-use assets	\$ -	\$ 204,058
Finance lease –right-of-use assets	\$ 263,674	\$ -
Operating lease obligations	\$ -	\$ 204,058
Finance lease obligations	\$ 267,082	\$ -
Lease costs:		
Operating lease costs	\$ -	\$ 7,800
Finance lease costs:		
Amortization of ROU assets	\$ 53,343	\$ 7,800
Interest on lease liability	\$ 8,100	\$ 7,800
Cash paid for amounts included in the measurement of lease obligations:		
Operating leases	\$ -	\$ 7,800
Finance leases	\$ 58,034	\$ -
Weighted Average Discount Rate:		
Operating leases	-	4.27%
Finance leases	3.75%	-
Weighted-Average Remaining lease term:		
Operating leases	-	4.36
Finance leases	3.60	-

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

7. LEASE OBLIGATIONS, continued:

Future minimum lease payments required under operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 57,555
2025	77,059
2026	96,564
2027	38,050
2028	19,026
	<u>288,254</u>
Less imputed interest	<u>(21,172)</u>
	<u><u>\$ 267,082</u></u>

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

8. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the LOI's financial assets as of December 31, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 26,653,636	\$ 32,237,381
Miscellaneous receivables*	79,652	69,623
Investments	2,508,229	2,245,257
Financial assets, at year-end	<u>29,241,517</u>	<u>34,552,261</u>
Less those unavailable for general expenditure within one year, due to:		
Investments held at management's discretion for the purpose of funding annuity obligations	(3,322)	(4,771)
Investments held at management's discretion for the purpose of long-term investment return	<u>(1,560,865)</u>	<u>(1,358,899)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 27,677,330</u>	<u>\$ 33,188,591</u>

*Included with prepaid expenses and other assets on the consolidated statements of financial position

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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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

9. 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 fundraising. The expenditures for these projects are reported as program expenses.

In 2023 and 2022, LOI conducted activities, more fully described below, that included appeals for contributions that incurred joint costs of \$28,651,754 and \$28,953,731, respectively. These activities included *Life Today* telecasts, events, constituent ministry materials and newsletters, and direct mail. Joint costs were:

Year Ended December 31, 2023					
	<i>Life Today</i> Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries—					
<i>Life Today</i>	\$ 12,017,128	\$ 61,035	\$ 1,981,970	\$ -	\$ 14,060,133
Missions outreach and project ministries	-	463,280	853,236	-	1,316,516
Literature and audio/visual distribution ministries	1,251,204	8,477	2,875,245	1,397,070	5,531,996
Supporting activities:					
General and administrative	-	-	325,825	-	325,825
Fundraising	2,586,441	67,441	1,503,572	3,259,830	7,417,284
	<u>\$ 15,854,773</u>	<u>\$ 600,233</u>	<u>\$ 7,539,848</u>	<u>\$ 4,656,900</u>	<u>\$ 28,651,754</u>

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Notes to Consolidated Financial Statements

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

Year Ended December 31, 2022					
	<i>Life Today</i> Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries–					
<i>Life Today</i>	\$ 12,151,888	\$ 76,249	\$ 2,020,087	\$ -	\$ 14,248,224
Missions outreach and project ministries	-	219,935	969,427	-	1,189,362
Literature and audio/visual distribution ministries	1,281,461	10,590	2,946,988	1,405,206	5,644,245
Supporting activities:					
General and administrative	-	-	377,232	-	377,232
Fundraising	2,631,671	52,701	1,531,482	3,278,814	7,494,668
	<u>\$ 16,065,020</u>	<u>\$ 359,475</u>	<u>\$ 7,845,216</u>	<u>\$ 4,684,020</u>	<u>\$ 28,953,731</u>

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

9. **JOINT ACTIVITIES AND ALLOCATION OF JOINT COSTS, continued:**

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 fundraising 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.

10. **RELATED PARTY TRANSACTIONS:**

As described in Note 1, LOI provided certain services to LOI Canada under the terms of a service agreement. During 2023 and 2022, LOI sold inventory to LOI Canada at its cost of approximately \$188,000 and \$201,000, respectively, which is included in product resource sales and associated fees in the accompanying consolidated statements of activities. LOI Canada reimbursed LOI approximately \$33,000 and \$41,000 for management and other services provided under the terms of the agreement for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, LOI recorded receivables from LOI Canada of approximately \$79,000 and \$69,000, 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 both the years ended December 31, 2023 and 2022, for these services was \$1,758,000 and \$1,758,000, respectively. Reimbursed costs for products, printing, call center, and mailing expenses incurred for the years ended December 31, 2023 and 2022, approximated \$9,369,000 and \$9,882,000, respectively. As of December 31, 2023 and 2022, amounts due were approximately \$551,000 and \$645,000, respectively.

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

11. 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 \$437,000 and \$427,000 during the years ended December 31, 2023 and 2022, 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, 2023 and 2022, LOI paid medical insurance premium payments of approximately \$1,795,000 and \$1,783,000, respectively.

12. INCOME TAXES:

Utilizing a 21% enacted tax rate for both the years ending December 31, 2023 and 2022, ZOE's cumulative net operating losses create a deferred tax asset of approximately \$2,523,000 and \$2,382,000, 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.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 30, 2024, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.