LIFE OUTREACH INTERNATIONAL
ASSOCIATION OF CHURCHES, INC.
and AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Life Outreach International Association
of Churches, Inc. and Affiliates
Euless, 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, 2016 and 2015, and the related consolidated statements of activities 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.

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Board of Trustees
Life Outreach International Association
of Churches, Inc. and Affiliates
Euless, 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, 2016 and 2015, and the changes in their net assets 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
May 10, 2017

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	December 31, 2016	December 31, 2015
ASSETS:		
Cash and cash equivalents	$ 18,646,732	$ 21,279,131
Employee advances and miscellaneous receivables	77,821	98,442
Inventories–net	2,053,372	2,143,371
Prepaid expenses and other assets	960,514	527,503
Investments	1,600,392	1,543,637
Property and equipment–net	8,887,628	9,773,824
Total Assets	$ 32,226,459	$ 35,365,908
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 2,086,935	$ 2,706,227
Accrued liabilities	252,263	242,039
Annuities payable	143,091	141,296
Capital lease obligations	59,531	98,510
	2,541,820	3,188,072
Net assets:		
Unrestricted net assets:		
Undesignated	20,856,542	22,502,522
Equity in property and equipment–net of related debt	8,828,097	9,675,314
	29,684,639	32,177,836
Total Liabilities and Net Assets	$ 32,226,459	$ 35,365,908

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,	
	2016	2015
CHANGE IN UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE:		
Contributions	$ 58,760,813	$ 60,744,980
Product resources	2,914,214	3,559,187
Investment income	111,416	10,822
Change in value of gift annuities	(20,622)	(19,041)
Gain on sale of assets	-	33,810
Other revenue	154,980	149,059
Total Support and Revenue	61,920,801	64,478,817
EXPENSES:		
Program services:		
Media ministries–*Life Today*	18,886,367	19,536,051
Missions outreach and project ministries	20,042,810	19,445,893
Literature and tape distribution ministries	8,668,373	9,150,414
	47,597,550	48,132,358
Supporting activities:		
Fund-raising	11,738,664	12,248,790
General and administrative	4,389,228	4,551,507
	16,127,892	16,800,297
Total Unrestricted Expenses	63,725,442	64,932,655
Change in Unrestricted Net Assets before Zoe's Operations	(1,804,641)	(453,838)
Zoe's Operations (see Note 1):		
Rental income	232,657	285,309
Operating expenses	(921,213)	(929,534)
Zoe's Net Operating Loss	(688,556)	(644,225)
Change in Unrestricted Net Assets	(2,493,197)	(1,098,063)
Net Assets, Beginning of Year	32,177,836	33,275,899
Net Assets, End of Year	$ 29,684,639	$ 32,177,836

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,493,197)	$ (1,098,063)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,233,683	1,356,102
Gain on sale of assets	-	(33,810)
Change in value of gift annuities	20,622	18,272
Gift value of new annuities	(11,668)	-
Matured gift annuities	-	(17,710)
Net realized and unrealized (gains) losses on investments	(36,862)	93,625
Changes in operating assets and liabilities:		
Employee advances and miscellaneous receivables	20,621	9,645
Inventories	89,999	86,011
Prepaid expenses and other assets	(433,011)	(55,368)
Accounts payable	(619,292)	(21,603)
Accrued liabilities	10,224	61,079
Net Cash Provided (Used) by Operating Activities	(2,218,881)	398,180
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(347,487)	(488,606)
Proceeds from sale of property and equipment	-	13,447
Purchases of investments	(47,052)	(30,660)
Proceeds from sale of investments	27,159	18,656
Net Cash Used by Investing Activities	(367,380)	(487,163)

(continued)

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
(continued)

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(38,979)	(39,740)
New annuities	20,000	-
Payments to annuitants	(27,159)	(18,656)
Net Cash Used by Financing Activities	(46,138)	(58,396)
Net Change in Cash and Cash Equivalents	(2,632,399)	(147,379)
Cash and Cash Equivalents, Beginning of Year	21,279,131	21,426,510
Cash and Cash Equivalents, End of Year	$ 18,646,732	$ 21,279,131
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest (none capitalized)	$ 7,281	$ 10,593
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Assets acquired via trade-in	$ -	$ 26,000
Equipment acquired with new capital lease	$ -	$ 77,800

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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.

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 videotapes, audiotapes, 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.

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.

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. 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.

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 unrestricted revenue 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.

INVENTORY

Inventory primarily consists of books, videos, and tapes, which are recorded at the lower of cost or fair 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.

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:

	Estimated Useful Lives
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

CLASSES OF NET ASSETS

Unrestricted net assets 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 temporarily restricted class of net assets until funds have been expended by LOI for the purpose specified. Upon satisfaction of the purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions, which have been fully expended for their intended purposes within the reporting period, are reported as unrestricted.

LOI reports gifts of property and equipment as unrestricted support 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.

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.

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, 2016 and 2015, material costs of approximately $1,480,000 and $1,850,000 were incurred, respectively, and are included in the consolidated statements of activities.

EXPENSES

Expenses are recognized when incurred in accordance with the accrual basis of accounting. Expenses include grants to other charities of approximately $11,813,000 and $11,109,000 for the years ended December 31, 2016 and 2015, respectively, of which approximately $6,271,000 and $6,172,000 was provided to JAM and its affiliate (see Note 1.)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

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.

UNCERTAIN TAX POSITIONS

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2016, LOI had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

3. INVENTORIES–NET:

Inventories–net consist of:

	December 31, 2016	December 31, 2015
Product inventory	$ 1,921,971	$ 1,993,504
Supplies and materials	128,652	147,768
Donated gifts	22,749	22,099
	2,073,372	2,163,371
Less allowance for obsolete inventory	(20,000)	(20,000)
	$ 2,053,372	$ 2,143,371

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.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	Fair Value Measurements at December 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market fund	$ 50,899	$ 50,899	$ -	$ -
Common stock:				
Technology	96,522	96,522	-	-
	96,522	96,522	-	-
Mutual funds:				
Foreign blend fund	158,113	158,113	-	-
Blend fund	177,148	177,148	-	-
Bond fund	347,457	347,457	-	-
Emerging market fund	39,963	39,963	-	-
Foreign growth fund	28,355	28,355	-	-
Growth fund	377,946	377,946	-	-
Infrastructure fund	21,420	21,420	-	-
Real estate fund	26,911	26,911	-	-
Value fund	275,658	275,658	-	-
	1,452,971	1,452,971	-	-
Total Investments	$ 1,600,392	$ 1,600,392	$ -	$ -

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at December 31, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market fund	$ 67,158	$ 67,158	$ -	$ -
Common stock:				
Healthcare	12,036	12,036	-	-
Technology	125,050	125,050	-	-
	137,086	137,086	-	-
Mutual funds:				
Allocation fund	167,474	167,474	-	-
Foreign blend fund	63,872	63,872	-	-
Blend fund	138,912	138,912	-	-
Bond fund	180,348	180,348	-	-
Emerging market fund	56,007	56,007	-	-
Europe stock fund	115,743	115,743	-	-
Foreign growth fund	31,754	31,754	-	-
Growth fund	393,409	393,409	-	-
Real estate fund	25,530	25,530	-	-
Value fund	166,344	166,344	-	-
	1,339,393	1,339,393	-	-
Total Investments	$ 1,543,637	$ 1,543,637	$ -	$ -

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,	
	2016	2015
Interest and dividends	$ 74,554	$ 104,447
Realized losses on investments–net	(2,183)	(3,222)
Unrealized gains (losses) on investments–net	39,045	(90,403)
	$ 111,416	$ 10,822

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	December 31,	
	2016	2015
Land and improvements	$ 1,007,408	$ 1,007,408
Buildings	9,404,227	9,295,176
Leasehold improvements	23,295	23,295
Transportation assets	8,759,394	8,759,394
Furniture and equipment	10,637,935	10,351,559
	29,832,259	29,436,832
Less accumulated depreciation and amortization	(20,944,631)	(19,710,948)
Website construction in progress	-	47,940
	$ 8,887,628	$ 9,773,824

5. PROPERTY AND EQUIPMENT–NET, continued:

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

	December 31, 2016	December 31, 2015
Property and equipment–net	$ 8,887,628	$ 9,773,824
Less related indebtedness	(59,531)	(98,510)
	$ 8,828,097	$ 9,675,314

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, was $1,233,683 and $1,356,102 respectively.

6. CHARITABLE GIFT ANNUITIES:

LOI has established a gift annuity plan whereby donors may contribute assets to LOI in exchange for the right to receive a fixed-dollar annual return during their lifetimes. Under the terms of the charitable gift annuity agreement, the actuarially computed present value of future payments is recognized as a liability, and the difference between the liability and the face value of the annuity is recognized as an unrestricted contribution. Subsequently, annuities payable are revalued annually using the federal mortality rates and discount factors applied at inception (ranging from 1.2% to 7.6%). Assets funding charitable gift annuities are included in investments, and any reserves required by state law in excess of the computed liability are reported as unrestricted net assets.

Change in value of gift annuities consists of:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Payments on charitable gift annuities	$ (27,159)	$ (18,656)
Actuarial change in charitable gift annuity liability	6,537	(18,095)
Gift annuities matured	-	17,710
	$ (20,622)	$ (19,041)

7. COMMITMENTS:

LOI is obligated under capital lease agreements that expire December 2017 and November 2018 for mailing equipment. At December 31, 2016, the gross amount of equipment and related accumulated amortization recorded under the capital leases was:

Equipment	$ 171,350
Less accumulated amortization	(101,808)
	$ 69,542

Future minimum lease payments under various operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2016, are:

Year Ending December 31,	Capital leases	Operating leases
2017	$ 46,260	$ 33,500
2018	17,685	-
	63,945	$ 33,500
Less amount representing interest	(4,414)	
Present value of net minimum capital lease payment	$ 59,531	

Total rental expenses of $60,732 and $62,200 were incurred during the years ended December 31, 2016 and 2015, respectively.

ZOE, in conjunction with its operations, has entered into commitments with minimum annual funding of approximately $203,000 through January 2017. The annual costs could be higher based upon ZOE's operations.

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 2016 and 2015, LOI conducted activities, more fully described below, that included appeals for contributions that incurred joint costs of $34,978,004 and $35,578,578, respectively. These activities included *Life Today* telecasts, events, constituent ministry materials and newsletters, and direct mail. Joint costs were:

	Year Ended December 31, 2016				
	Life Today Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries– *Life Today*	$ 16,449,936	$ 112,922	$ 1,467,083	$ -	$ 18,029,941
Missions outreach and project ministries	-	270,966	686,421	-	957,387
Literature and tape distribution ministries	1,871,775	15,684	3,068,722	1,638,038	6,594,219
Supporting activities:					
General and administrative	-	-	348,185	-	348,185
Fund-raising	3,699,545	59,427	1,467,211	3,822,089	9,048,272
	$ 22,021,256	$ 458,999	$ 7,037,622	$ 5,460,127	$ 34,978,004

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

	Year Ended December 31, 2015				
	Life Today Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries– *Life Today*	$ 16,473,660	$ 112,922	$ 1,467,083	$ -	$ 18,053,665
Missions outreach and project ministries	-	254,038	878,130	-	1,132,168
Literature and tape distribution ministries	1,871,775	15,684	3,480,400	1,620,811	6,988,670
Supporting activities:					
General and administrative	-	-	357,384	-	357,384
Fund-raising	3,702,182	59,305	1,503,312	3,781,892	9,046,691
	$ 22,047,617	$ 441,949	$ 7,686,309	$ 5,402,703	$ 35,578,578

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, tapes, 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.

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 2016 and 2015, LOI sold inventory to the Canadian ministry at its cost of approximately $88,000 and $184,000, respectively, and included in sales of publications and fees in the accompanying consolidated statements of activities. The Canadian ministry reimbursed LOI approximately $86,000 and $132,000 for management and other services provided under the terms of the agreement for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, LOI recorded receivables from the Canadian ministry for approximately $27,000 and $16,000, 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, 2016 and 2015, for these services were $1,758,000 and $1,458,000, respectively. Reimbursed costs for products, printing, call center, and mailing expenses incurred for the years ended December 31, 2016 and 2015, approximated $6,400,000 and $7,200,000, respectively. As of December 31, 2016 and 2015, amounts due were approximately $121,000 and $279,000.

LOI purchased approximately $185,000 and $217,000 during the years ended December 31, 2016 and 2015, 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 $399,925 and $394,000 during the years ended December 31, 2016 and 2015, 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, 2016 and 2015, LOI paid medical insurance premium payments of approximately $1,197,000 and $1,045,000, respectively.

11. INCOME TAXES:

Utilizing a 15% enacted tax rate, ZOE's cumulative net operating losses create a deferred tax asset of $1,621,931 as of December 31, 2016. 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.

12. SUBSEQUENT EVENTS:

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

SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA

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

We have audited the consolidated financial statements of Life Outreach International Association of Churches, Inc. and Affiliates as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 10, 2017, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Grapevine, Texas
May 10, 2017

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Grapevine, TX 76051
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LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Schedule of Functional Expenses

Year Ended December 31, 2016

	Program Services			Supporting Activities		
	Media Ministries– *Life Today*	Missions Outreach and Project Ministries	Literature and Tape Distribution Ministries	General and Administrative	Fund-raising	Totals
Media expenses	$ 14,296,560	$ -	$ 1,985,633	$ -	$ 3,574,140	$ 19,856,333
Relief and development grants *	-	11,812,232	-	-	-	11,812,232
Printing and postage	202,903	263,574	3,548,512	590,854	4,979,656	9,585,499
Salaries and wages	2,351,353	3,691,883	1,072,697	1,800,544	887,460	9,803,937
Professional services	373,221	1,816,475	1,197,757	428,370	1,772,249	5,588,072
Other expenses	338,075	585,484	140,655	717,935	130,733	1,912,882
Employee benefits	522,922	688,951	240,779	376,984	163,411	1,993,047
Product resources	24,337	845,219	338,514	65,390	69,427	1,342,887
Depreciation expense	602,110	-	-	130,186	81,366	813,662
Maintenance	94,200	188,678	110,285	173,649	39,129	605,941
Insurance	66,058	61,771	6,734	73,615	25,240	233,418
Royalties	4,080	63,362	21,735	9,646	9,095	107,918
Lease expense	10,548	25,181	5,072	22,055	6,758	69,614
Total	$ 18,886,367	$ 20,042,810	$ 8,668,373	$ 4,389,228	$ 11,738,664	$ 63,725,442
Percentage of Total Expenses	29.6%	31.5%	13.6%	6.9%	18.4%	100.0%

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

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Schedule of Functional Expenses

Year Ended December 31, 2015

	Program Services			Supporting Activities		
	Media Ministries– *Life Today*	Missions Outreach and Project Ministries	Literature and Tape Distribution Ministries	General and Administrative	Fund-raising	Totals
Media expenses	$ 14,839,615	$ 52,725	$ 2,061,058	$ -	$ 3,712,679	$ 20,666,077
Relief and development grants *	-	11,109,453	-	-	-	11,109,453
Printing and postage	192,156	249,775	3,784,764	555,902	5,117,143	9,899,740
Salaries and wages	2,353,301	3,559,844	1,087,676	1,852,058	894,471	9,747,350
Professional services	353,323	1,759,411	1,274,068	491,555	1,939,020	5,817,377
Other expenses	425,834	596,193	156,007	766,616	151,588	2,096,238
Employee benefits	518,598	655,032	246,643	411,418	171,762	2,003,453
Product resources	28,150	1,025,926	401,410	77,823	82,928	1,616,237
Depreciation expense	692,700	-	-	149,773	93,608	936,081
Maintenance	48,327	235,749	78,344	135,601	39,381	537,402
Insurance	66,191	60,344	7,457	72,339	24,455	230,786
Royalties	6,480	100,306	47,621	15,706	14,011	184,124
Lease expense	11,376	41,135	5,366	22,716	7,744	88,337
Total	$ 19,536,051	$ 19,445,893	$ 9,150,414	$ 4,551,507	$ 12,248,790	$ 64,932,655
Percentage of Total Expenses	30.1%	29.9%	14.1%	7.0%	18.9%	100.0%

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