

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

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

CAPINCROUSE LLP

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, 2017 and 2016, 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, 2017 and 2016, 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.



Grapevine, Texas
June 5, 2018

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	December 31, 2017	December 31, 2016
ASSETS:		
Cash and cash equivalents	$ 16,808,290	$ 18,646,732
Inventories–net	2,490,217	2,053,372
Prepaid expenses and other assets	682,477	1,038,335
Investments	1,876,807	1,600,392
Property and equipment–net	8,014,647	8,887,628
Total Assets	$ 29,872,438	$ 32,226,459
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 2,560,929	$ 2,086,935
Accrued liabilities	215,908	252,263
Annuities payable	140,202	143,091
Capital lease obligations	16,985	59,531
	2,934,024	2,541,820
Net assets:		
Net assets without donor restrictions:		
Undesignated	18,940,752	20,856,542
Equity in property and equipment–net of related obligations	7,997,662	8,828,097
	26,938,414	29,684,639
Total Liabilities and Net Assets	$ 29,872,438	$ 32,226,459

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,	
	2017	2016
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE:		
Contributions	$ 55,453,445	$ 58,760,813
Product resources	2,684,826	2,914,214
Investment income	302,368	111,416
Change in value of gift annuities	(22,676)	(20,622)
Other revenue	88,986	154,980
Total Support and Revenue	58,506,949	61,920,801
EXPENSES:		
Program services:		
Media ministries–*Life Today*	19,318,774	18,886,366
Missions outreach and project ministries	17,970,130	19,877,408
Literature and tape distribution ministries	8,145,265	8,833,776
	45,434,169	47,597,550
Supporting activities:		
General and administrative	4,155,344	4,389,228
Fund-raising	10,970,967	11,738,664
	15,126,311	16,127,892
Total Expenses Without Donor Restrictions	60,560,480	63,725,442
Change in Net Assets Without Donor Restrictions before Zoe's Operations	(2,053,531)	(1,804,641)
Zoe's Operations (see Note 1):		
Rental income	250,466	232,657
Operating expenses	(943,160)	(921,213)
Zoe's Net Operating Loss	(692,694)	(688,556)
Change in Net Assets Without Donor Restrictions	(2,746,225)	(2,493,197)
Net Assets, Beginning of Year	29,684,639	32,177,836
Net Assets, End of Year	$ 26,938,414	$ 29,684,639

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		
	Media Ministries– *Life Today*	Missions Outreach and Project Ministries	Literature and Tape Distribution Ministries	General and Administrative	Fund-raising	Totals
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	1,913,111	1,188,399	399,603	1,858,830	5,747,064
Employee benefits	493,664	662,796	243,947	371,773	159,698	1,931,878
Other expenses	314,115	525,192	107,666	666,782	109,763	1,723,518
Product resources	24,618	469,008	363,149	51,059	52,753	960,587
Depreciation expense	924,099	-	-	199,805	124,878	1,248,782
Maintenance	74,316	190,119	139,221	216,218	35,544	655,418
Aircraft maintenance and service	-	353,605	-	-	-	353,605
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 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 Statement 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
Salaries and wages	2,351,353	3,691,883	1,072,697	1,800,544	887,460	9,803,937
Printing and postage	202,903	263,574	3,548,512	590,854	4,979,656	9,585,499
Professional services	373,221	1,980,393	1,197,757	428,370	1,772,249	5,751,990
Employee benefits	522,922	688,951	240,779	376,984	163,411	1,993,047
Other expenses	338,074	585,484	140,655	717,935	130,733	1,912,881
Product resources	24,337	679,817	503,917	65,390	69,427	1,342,888
Depreciation expense	912,926	-	-	197,389	123,368	1,233,683
Maintenance	94,200	188,678	110,285	173,649	39,129	605,941
Aircraft maintenance and service	-	337,274	-	-	-	337,274
Insurance	66,058	61,771	6,734	73,615	25,240	233,418
Lease expense	10,548	25,181	5,072	22,055	6,758	69,614
Royalties	4,080	63,362	21,735	9,646	9,095	107,918
Total expenses	$ 19,197,182	$ 20,378,600	$ 8,833,776	$ 4,456,431	$ 11,780,666	$ 64,646,655
Percentage of Total Expenses	29.7%	31.5%	13.7%	6.9%	18.2%	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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,746,225)	$ (2,493,197)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,248,782	1,233,683
Gain on sale of assets	(14,859)	-
Change in value of gift annuities	22,676	20,622
Matured annuities	(17,305)	-
Realized and unrealized gains on investments–net	(208,432)	(36,862)
Changes in operating assets and liabilities:		
Inventories–net	(436,845)	89,999
Prepaid expenses and other assets	355,858	(412,390)
Accounts payable	473,994	(619,292)
Accrued liabilities	(36,355)	10,224
Net Cash Used by Operating Activities	(1,358,711)	(2,207,213)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(360,942)	(347,487)
Purchases of investments	(95,709)	(47,052)
Proceeds from sale of investments	27,726	27,159
Net Cash Used by Investing Activities	(428,925)	(367,380)

(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,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(42,546)	(38,979)
New annuities	50,000	20,000
Gift value of new annuities	(30,534)	(11,668)
Annuity distributions	(27,726)	(27,159)
Net Cash Used by Financing Activities	(50,806)	(57,806)
Net Change in Cash and Cash Equivalents	(1,838,442)	(2,632,399)
Cash and Cash Equivalents, Beginning of Year	18,646,732	21,279,131
Cash and Cash Equivalents, End of Year	$ 16,808,290	$ 18,646,732
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest (none capitalized)	$ 3,714	$ 7,281
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Assets acquired via trade-in	$ 36,000	$ -

See notes to consolidated financial statements

LIFE OUTREACH INTERNATIONAL ASSOCIATION OF CHURCHES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 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.

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. As of December 31, 2017 and 2016, LOI's cash balances exceeded federally insured limits by $16,058,290 and $17,896,732, 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 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.

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.

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

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.

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, 2017 and 2016, material costs of approximately $1,830,000 and $1,480,000 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 $10,653,000 and $11,813,000 for the years ended December 31, 2017 and 2016, respectively, of which approximately $6,535,000 and $6,271,000 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie* s. LOI adopted the provisions of this new standard during the year ended December 31, 2017. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to the functional allocation of expenses were expanded.

3. INVENTORIES–NET:

Inventories–net consist of:

	December 31, 2017	December 31, 2016
Product inventory	$ 2,370,257	$ 1,921,971
Supplies and materials	115,911	128,652
Donated gifts	24,049	22,749
	2,510,217	2,073,372
Less allowance for obsolete inventory	(20,000)	(20,000)
	$ 2,490,217	$ 2,053,372

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, 2017 and 2016, LOI had no Level 2 or Level 3 investments.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

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, 2017 and 2016:

	December 31,	
	2017	2016
Investments:		
Money market fund	$ 55,729	$ 50,899
Common stock:		
Technology	141,168	96,522
	141,168	96,522
Mutual funds:		
Value fund	501,230	275,658
Growth fund	480,105	377,946
Bond fund	383,612	347,457
Blend fund	192,969	177,148
Emerging market fund	83,287	39,963
Real estate fund	38,707	26,911
Foreign blend fund	-	158,113
Foreign growth fund	-	28,355
Allocation fund	-	21,420
	1,679,910	1,452,971
Total Investments	$ 1,876,807	$ 1,600,392

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,	
	2017	2016
Interest and dividends	$ 114,052	$ 92,800
Realized losses on investments–net	(1,885)	(2,183)
Unrealized gains on investments–net	210,317	39,045
Investment management fees	(20,116)	(18,246)
	$ 302,368	$ 111,416

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	December 31,	
	2017	2016
Land and improvements	$ 1,007,408	$ 1,007,408
Buildings	9,451,787	9,404,227
Leasehold improvements	23,295	23,295
Transportation assets	8,760,674	8,759,394
Furniture and equipment	10,779,967	10,637,935
	30,023,131	29,832,259
Less accumulated depreciation and amortization	(22,008,484)	(20,944,631)
	$ 8,014,647	$ 8,887,628

5. PROPERTY AND EQUIPMENT–NET, continued:

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

	December 31, 2017	December 31, 2016
Property and equipment–net	$ 8,014,647	$ 8,887,628
Less related obligations	(16,985)	(59,531)
	$ 7,997,662	$ 8,828,097

Depreciation expense for the years ended December 31, 2017 and 2016, was $1,248,782 and $1,233,683 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 a contribution without donor restriction. 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 net assets without donor restrictions.

Change in value of gift annuities consists of:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Payments on charitable gift annuities	$ (27,726)	$ (27,159)
Actuarial change in charitable gift annuity liability	22,358	6,537
Gift annuities matured	(17,308)	-
	$ (22,676)	$ (20,622)

7. COMMITMENTS:

LOI is obligated under capital lease obligations that expire December 2017 and November 2022 for mailing equipment. At December 31, 2017, the gross amount of equipment and related accumulated amortization recorded under the capital leases was:

Equipment	$ 171,350
Less accumulated amortization	(136,078)
	$ 35,272

Future minimum capital lease payments as of December 31, 2017, are:

Year Ending December 31,	Amount
2018	$ 17,685
Less amount representing interest	(700)
Present value of net minimum capital lease payment	$ 16,985

Future minimum lease payments under various operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2017, are:

Year Ending December 31,	Amount
2018	$ 42,240
2019	42,240
2020	42,240
2021	42,240
2022	35,200
	$ 204,160

Total rental expenses of $70,201 and $69,614 were incurred during the years ended December 31, 2017 and 2016, respectively.

ZOE, in conjunction with its operations, has entered into commitments with minimum annual funding of approximately $239,133 through January 2018. The annual costs could be higher based upon ZOE's operations.

8. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the LOI's financial assets as of December 31, 2017 and 2016, 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,	
	2017	2016
Financial assets:		
Cash and cash equivalents	$ 16,808,290	$ 18,646,732
Miscellaenous receivables	69,167	77,821
Investments	1,876,807	1,600,392
Financial assets, at year-end	18,754,264	20,324,945
Less those unavailable for general expenditure within one year, due to:		
Investments held at management's discretion for the purpose of funding annuity obligations	(18,180)	(4,720)
Investments held at management's discretion for the purpose of long-term investment return	(1,211,175)	(1,011,096)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,524,909	$ 19,309,129

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

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 fund-raising. The expenditures for these projects are reported as program expenses.

In 2017 and 2016, LOI conducted activities, more fully described below, that included appeals for contributions that incurred joint costs of $33,880,651 and $34,978,004, respectively. These activities included *Life Today* telecasts, events, constituent ministry materials and newsletters, and direct mail. Joint costs were:

	Year Ended December 31, 2017				
	Life Today Telecasts	Events	Constituent Ministry Materials and Newsletters	Direct Mail	Total
Program services:					
Media ministries– *Life Today*	$ 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 tape 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

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

	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

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.

10. RELATED PARTY TRANSACTIONS:

As described in Note 1, LOI provided certain services to a Canadian ministry under the terms of a service agreement. During 2017 and 2016, LOI sold inventory to the Canadian ministry at its cost of approximately $145,000 and $88,000, respectively, and included in sales of publications and fees in the accompanying consolidated statements of activities. The Canadian ministry reimbursed LOI approximately $6,400 and $86,000 for management and other services provided under the terms of the agreement for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, LOI recorded receivables from the Canadian ministry of approximately $45,000 and $27,000, 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, 2017and 2016, for these services were $1,758,000 for both years. Reimbursed costs for products, printing, call center, and mailing expenses incurred for the years ended December 31, 2017 and 2016, approximated $5,952,000 and $6,400,000, respectively. As of December 31, 2017 and 2016, amounts due were approximately $123,000 and $121,000, respectively.

LOI purchased approximately $129,000 and $185,000 during the years ended December 31, 2017 and 2016, respectively, for rental services and production from a company where the son of the executive team is owner and operator.

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 $334,000 and $400,000 during the years ended December 31, 2017 and 2016, 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, 2017 and 2016, LOI paid medical insurance premium payments of approximately $1,265,000 and $1,197,000, respectively.

12. INCOME TAXES:

Utilizing a 15% enacted tax rate, ZOE's cumulative net operating losses create a deferred tax asset of $1,725,863 and $1,621,931 as of December 31, 2017 and 2016, 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 June 5, 2018, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.