



LIVADA ORPHAN CARE, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2015 and 2014

LIVADA ORPHAN CARE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Livada Orphan Care, Inc.
Plano, Texas

We have audited the accompanying financial statements of Livada Orphan Care, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors
Livada Orphan Care, Inc.
Plano, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livada Orphan Care, Inc. as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2014 financial statements were compiled by us and our report thereon, dated September 24, 2014, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Capin Crouse LLP

Dallas, Texas
October 28, 2016

LIVADA ORPHAN CARE, INC.

Statements of Financial Position

	December 31,	
	2015	2014
	(Audited)	(Unaudited)
ASSETS:		
Cash	\$ 188,467	\$ 171,884
Grant and other receivables	20,000	32,000
Property and equipment—net	2,928	5,988
Total Assets	<u>\$ 211,395</u>	<u>\$ 209,872</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	<u>\$ 7,683</u>	<u>\$ 16,246</u>
Net assets:		
Unrestricted	81,740	76,868
Temporarily restricted	121,972	116,758
	<u>203,712</u>	<u>193,626</u>
Total Liabilities and Net Assets	<u>\$ 211,395</u>	<u>\$ 209,872</u>

See notes to financial statements

LIVADA ORPHAN CARE, INC.

Statements of Activities

	Year Ended December 31,					
	2015 (Audited)			2014 (Unaudited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 624,478	\$ 409,352	\$ 1,033,830	\$ 589,482	\$ 493,589	\$ 1,083,071
Special event-net	107,301	-	107,301	89,169	-	89,169
Total Support and Revenue	<u>731,779</u>	<u>409,352</u>	<u>1,141,131</u>	<u>678,651</u>	<u>493,589</u>	<u>1,172,240</u>
NET ASSETS RELEASED:						
Purpose restrictions	394,138	(394,138)	-	455,438	(455,438)	-
Time restrictions	10,000	(10,000)	-	10,000	(10,000)	-
	<u>404,138</u>	<u>(404,138)</u>	<u>-</u>	<u>465,438</u>	<u>(465,438)</u>	<u>-</u>
EXPENSES:						
Program services:						
International grant expense	360,282	-	360,282	443,071	-	443,071
Mission trips	157,699	-	157,699	230,661	-	230,661
Missionary support	164,454	-	164,454	89,770	-	89,770
Other program services	163,415	-	163,415	165,776	-	165,776
	<u>845,850</u>	<u>-</u>	<u>845,850</u>	<u>929,278</u>	<u>-</u>	<u>929,278</u>
Supporting activities:						
Management and general	216,853	-	216,853	204,309	-	204,309
Fund-raising	68,342	-	68,342	68,581	-	68,581
Total Expenses	<u>1,131,045</u>	<u>-</u>	<u>1,131,045</u>	<u>1,202,168</u>	<u>-</u>	<u>1,202,168</u>
Change in Net Assets	4,872	5,214	10,086	(58,079)	28,151	(29,928)
Net Assets, Beginning of Year	<u>76,868</u>	<u>116,758</u>	<u>193,626</u>	<u>134,947</u>	<u>88,607</u>	<u>223,554</u>
Net Assets, End of Year	<u>\$ 81,740</u>	<u>\$ 121,972</u>	<u>\$ 203,712</u>	<u>\$ 76,868</u>	<u>\$ 116,758</u>	<u>\$ 193,626</u>

See notes to financial statements

LIVADA ORPHAN CARE, INC.

Statement of Functional Expenses

December 31, 2015

(Audited)

	Supporting Activities				Total
	Program Services	Management and General	Fundraising	Total Supporting	
Missions:					
Fundatia LOC	\$ 360,282	\$ -	\$ -	\$ -	\$ 360,282
Mission trips	157,699	-	-	-	157,699
Missionary support	164,454	-	-	-	164,454
Other ministries	22,479	-	-	-	22,479
Compensation	88,682	129,726	47,521	177,247	265,929
Office costs	13,650	24,138	15,040	39,178	52,828
Computer and software costs	-	4,732	-	4,732	4,732
Travel	21,662	-	2,886	2,886	24,548
Credit card processing fees	-	22,447	-	22,447	22,447
Insurance	4,311	7,010	2,464	9,474	13,785
Marketing and promotion	-	-	431	431	431
Professional fees	-	8,031	-	8,031	8,031
Depreciation	-	3,060	-	3,060	3,060
Training, dues and subscriptions	-	5,224	-	5,224	5,224
Fundraising and development	-	-	-	-	-
Other	12,631	12,485	-	12,485	25,116
	\$ 845,850	\$ 216,853	\$ 68,342	\$ 285,195	\$ 1,131,045

See notes to financial statements

LIVADA ORPHAN CARE, INC.

Statement of Functional Expenses

December 31, 2014

(Unaudited)

	Program Services	Supporting Activities			Total
		Management and General	Fundraising	Total Supporting	
Missions:					
Fundatia LOC	\$ 443,071	\$ -	\$ -	\$ -	\$ 443,071
Mission trips	230,661	-	-	-	230,661
Missionary support	89,770	-	-	-	89,770
Other ministries	13,943	-	-	-	13,943
Compensation	92,273	121,777	49,756	171,533	263,806
Office costs	-	26,380	-	26,380	26,380
Computer and software costs	-	4,325	-	4,325	4,325
Travel	59,211	-	2,591	2,591	61,802
Credit card processing fees	-	24,999	-	24,999	24,999
Insurance	349	3,205	-	3,205	3,554
Marketing and promotion	-	-	1,241	1,241	1,241
Professional fees	-	12,922	-	12,922	12,922
Depreciation	-	2,128	-	2,128	2,128
Training, dues and subscriptions	-	2,489	-	2,489	2,489
Fundraising and development	-	-	14,993	14,993	14,993
Other	-	6,084	-	6,084	6,084
	<u>\$ 929,278</u>	<u>\$ 204,309</u>	<u>\$ 68,581</u>	<u>\$ 272,890</u>	<u>\$ 1,202,168</u>

See notes to financial statements

LIVADA ORPHAN CARE, INC.

Statements of Cash Flows

	December 31,	
	2015	2014
	(Audited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,086	\$ (29,928)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,060	2,128
Changes in operating assets and liabilities:		
Accounts receivable	12,000	10,549
Accounts payable and other liabilities	(8,563)	8,750
Net Cash Provided (Used) by Operating Activities	<u>16,583</u>	<u>(8,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(2,796)
Net Cash Used by Investing Activities	<u>-</u>	<u>(2,796)</u>
Net Change in Cash and Cash Equivalents	16,583	(11,297)
Cash and Cash Equivalents, Beginning of Year	<u>171,884</u>	<u>183,181</u>
Cash and Cash Equivalents, End of Year	<u>\$ 188,467</u>	<u>\$ 171,884</u>

See notes to financial statements

LIVADA ORPHAN CARE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

1. NATURE OF ORGANIZATION:

Livada Orphan Care, Inc. (LOC) located in Plano, Texas is a nonprofit corporation dedicated to making a difference in the lives of Romanian orphans and at-risk children. Livada is the Romania word for orchard. It serves as a symbol of the type of care that every vulnerable child needs and LOC wants to give through nurturing Romanian orphans and at-risk kids to bear fruit that will last.

LOC is affiliated with Fundatia LOC, a Romanian NGO (non-governmental organization), and a majority of activities are conducted through grants to its operations. LOC is committed to helping these wounded kids find their place in the world, through a blend of Christian social work, humanitarian aid, and ministry. LOC facilitates mission service trips to Romania and supports Romanian missions for orphaned children, primarily through Fundatia LOC. The services supported begin with nurturing orphans in the cradle, and ends with them becoming interdependent, contributing members of society.

LOC's missionary support is related to its Short Term InterNational Team (STINT) which consists of western missionaries. STINT works alongside the staff of Fundatia LOC to serve and minister to approximately 700 abandoned and at-risk Gypsy children in Mures County, Romania through various ministries such as Orphan Outreach, Prevention of Abandonment, and Cradle Care. The Orphan Outreach camps serve the majority of the children we reach on a monthly basis. The Prevention of Abandonment program ministers to Gypsy families. The Cradle Care ministry provides therapy to babies in the local hospital, and our group homes offer an alternative to traditional Romanian orphan care.

LOC was founded in 2001 by Bruce and Catherine Thomas, to nurture Romanian orphans so that they would be able to lead fruitful and productive lives. In 2002, LOC was incorporated and gained recognition as a tax exempt 501(c) (3) organization by the IRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of LOC have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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. LOC has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment greater than \$500 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from four to six years.

LIVADA ORPHAN CARE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for operations under the direction of the board and resources invested in property and equipment.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or for the specific programs of LOC.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when funds are received, unconditional promises are made, or ownership of other assets is transferred to LOC.

LOC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts for child sponsorship are considered to be released when received and are reported with unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Administrative assessments are included in net assets released from restrictions. Administrative assessments are set at 15% of the amount given for mission trips. Staff raised support is subject to assessments of 8%. LOC's policy is to record temporarily restricted contributions and net assets released from restrictions. Administrative assessments totaled \$50,580 and \$105,756 for the years ended December 31, 2015 and 2014, respectively.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of functional expenses. Costs are allocated between program services, support services and fundraising based on management's judgment considering square footage used, time spent, or direct relation to the related services.

SPECIAL EVENTS

LOC hosts a special event each year called One Night One Child in which individuals from Romania are invited to share their story. For the year ended December 31, 2015, LOC had contributions totaling \$129,035 which was offset by event expenses of \$21,734. For the year ended December 31, 2014, LOC had contributions totaling \$114,683 which was offset by event expenses of \$25,514.

LIVADA ORPHAN CARE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the 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 statements of activities. As of December 31, 2015, LOC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

LOC's Federal Exempt Organization Business Income Tax Returns (Form 990) for the years ended December 31, 2015 and 2014, are subject to examination by the IRS, generally for three years after they were filed.

3. GRANT RECEIVABLE:

LOC was awarded a \$50,000 grant in 2013 from an organization that is to be received in increments of \$10,000 over five years through 2017. As of December 31, 2015 and 2014, the receivable balance was \$20,000 and \$30,000, respectively.

4. NET ASSETS:

Unrestricted net assets consist of:

	December 31,	
	2015	2014
Operating	\$ 78,812	\$ 70,880
Investment in property and equipment	2,928	5,988
	<u>\$ 81,740</u>	<u>\$ 76,868</u>

LIVADA ORPHAN CARE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

4. NET ASSETS, continued:

Temporarily restricted net assets consist of:

	December 31, 2014	Contributions	Reclassification	December 31, 2015
Staff and STINT	\$ 85,746	\$ 185,028	\$ (180,140)	\$ 90,634
Ministry trips and summer programs	1,012	224,324	(213,998)	11,338
Time restricted	30,000	-	(10,000)	20,000
	\$ 116,758	\$ 409,352	\$ (404,138)	\$ 121,972
	December 31, 2013	Contributions	Reclassification	December 31, 2014
Staff and STINT	\$ 35,147	\$ 152,575	\$ (101,976)	\$ 85,746
Ministry trips and summer programs	13,460	341,014	(353,462)	1,012
Time restricted	40,000	-	(10,000)	30,000
	\$ 88,607	\$ 493,589	\$ (465,438)	\$ 116,758

5. OPERATING LEASES:

LOC leases office space, including phones, under a five year operating lease agreement which expires November 1, 2019. LOC also leases a copier under a three year operating lease which expires June 2016. Total rental expense for the years ended December 31, 2015 and 2014, was \$8,477 and \$8,408, respectively.

Future minimum lease payments under the operating leases are:

Year Ending December 31,

2016	\$ 12,127
2017	9,342
2018	9,342
2019	8,564
	\$ 39,375

LIVADA ORPHAN CARE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

6. RELATED PARTY TRANSACTIONS:

Forty-three percent, or approximately \$360,000 in 2015, and forty-eight percent, or approximately \$443,000 in 2014, of LOC's program expenses were contributions to Fundatia LOC, a Romanian NGO (nongovernmental, nonprofit organization), which was founded by Bruce and Catherine Thomas, who also founded LOC. Mr. Thomas is on the board of both organizations, and is an employee of LOC. However, there are no other board members for either organization that serve on both boards.

The summarized financial data of Fundatia LOC as of December 31, 2015 and 2014, consists of total assets of \$273,880 and \$333,008, liabilities of \$23,438 and \$10,087, net assets of \$250,443 and \$322,921, revenue of \$629,726 and \$651,278, and expenses of \$630,609 and \$623,839. These amounts have been translated into US dollars from Romania New Lei using a published exchange rate at December 31, 2015 and 2014, respectively.

7. CONCENTRATION OF SUPPORT RISK:

Approximately 18% and 15% of LOC's support came from the top five donors for the years ended December 31, 2015 and 2014, respectively.

8. SUBSEQUENT EVENTS:

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