

VisionTrust International, Inc.

(a nonprofit Colorado corporation)

Colorado Springs, Colorado

Financial Statements

December 31, 2016 and 2015

VisionTrust International, Inc.

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Independent Auditors' Report

To the Board of Directors
VisionTrust International, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of VisionTrust International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 of 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the December 31, 2016 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of VisionTrust International, Inc. as of December 31, 2016, 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.

Prior Year Financial Statements

The financial statements of VisionTrust International, Inc. as of December 31, 2015, were audited by other auditors whose report dated March 18, 2016, expressed an unmodified opinion on those statements.

Altruic Advisors, PLLC

Certified Public Accountants

Colorado Springs, Colorado
May 2, 2017

VisionTrust International, Inc.

Statements of Financial Position

| December 31 | 2016 | 2015 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 785,941 | \$ 621,459 |
| Investments | 129,627 | 138,794 |
| Prepaid expenses and other current assets | 146,160 | 65,559 |
| Total current assets | <u>1,061,728</u> | <u>825,812</u> |
| Property and Equipment, net | <u>1,649,194</u> | <u>1,708,907</u> |
| Other Assets | | |
| Property held for sale | - | 100,000 |
| Total assets | <u>\$ 2,710,922</u> | <u>\$ 2,634,719</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 5,893 | \$ - |
| Accrued compensation and benefits | 25,891 | 32,836 |
| Other accrued expenses and deposits | 24,784 | 29,374 |
| Deferred revenue | 2,110 | - |
| Capital lease obligations, current portion | 1,981 | - |
| Notes payable, current portion | 49,438 | 46,626 |
| Total current liabilities | <u>110,097</u> | <u>108,836</u> |
| Long-Term Liabilities | | |
| Capital lease obligations, net of current portion | 7,675 | - |
| Notes payable, net of current portion | 924,865 | 973,128 |
| Total long-term liabilities | <u>932,540</u> | <u>973,128</u> |
| Total liabilities | <u>1,042,637</u> | <u>1,081,964</u> |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 203,200 | 58,489 |
| Board-designated | 20,710 | 10,285 |
| Equity in property held for sale | - | 100,000 |
| Equity in property and equipment | 665,235 | 689,153 |
| Total unrestricted net assets | <u>889,145</u> | <u>857,927</u> |
| Temporarily restricted | 779,140 | 694,828 |
| Total net assets | <u>1,668,285</u> | <u>1,552,755</u> |
| Total liabilities and net assets | <u>\$ 2,710,922</u> | <u>\$ 2,634,719</u> |

The accompanying Notes are an integral part of these financial statements

VisionTrust International, Inc.

Statement of Activities

Year ended December 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Support and Revenue | | | |
| Contributions and grants | \$ 2,868,305 | \$ 3,893,274 | \$ 6,761,579 |
| Contributed goods and services | 690,205 | - | 690,205 |
| Rental income | 88,539 | - | 88,539 |
| Other income | 6,097 | - | 6,097 |
| Investment income, net | 13,740 | - | 13,740 |
| Net assets released from restrictions | 3,808,962 | (3,808,962) | - |
| Total support and revenue | <u>7,475,848</u> | <u>84,312</u> | <u>7,560,160</u> |
| Functional Expenses and Loss | | | |
| Functional Expenses | | | |
| Program services | 6,359,144 | - | 6,359,144 |
| Supporting services | | | |
| General and administrative | 799,597 | - | 799,597 |
| Fundraising | 285,628 | - | 285,628 |
| Total functional expenses | <u>7,444,369</u> | <u>-</u> | <u>7,444,369</u> |
| Loss | | | |
| Loss on disposal of property and equipment | 261 | - | 261 |
| Total functional expenses and loss | <u>7,444,630</u> | <u>-</u> | <u>7,444,630</u> |
| Change in Net Assets | 31,218 | 84,312 | 115,530 |
| Net Assets, Beginning of Year | <u>857,927</u> | <u>694,828</u> | <u>1,552,755</u> |
| Net Assets, End of Year | <u>\$ 889,145</u> | <u>\$ 779,140</u> | <u>\$ 1,668,285</u> |

The accompanying Notes are an integral part of these financial statements

VisionTrust International, Inc.

Statement of Activities

Year ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Support and Revenue | | | |
| Contributions and grants | \$ 3,944,652 | \$ 2,751,570 | \$ 6,696,222 |
| Contributed goods and services | 526,511 | - | 526,511 |
| Rental income | 88,539 | - | 88,539 |
| Other income | 1,563 | - | 1,563 |
| Net assets released from restrictions | 2,919,466 | (2,919,466) | - |
| Total support and revenue | <u>7,480,731</u> | <u>(167,896)</u> | <u>7,312,835</u> |
| Functional Expenses and Losses | | | |
| Functional Expenses | | | |
| Program services | 6,164,345 | - | 6,164,345 |
| Supporting services | | | |
| General and administrative | 630,957 | - | 630,957 |
| Fundraising | 395,161 | - | 395,161 |
| Total functional expenses | <u>7,190,463</u> | <u>-</u> | <u>7,190,463</u> |
| Losses | | | |
| Loss on disposal of property and equipment | 2,354 | - | 2,354 |
| Investment loss, net | 4,634 | - | 4,634 |
| Total losses | <u>6,988</u> | <u>-</u> | <u>6,988</u> |
| Total functional expenses and losses | <u>7,197,451</u> | <u>-</u> | <u>7,197,451</u> |
| Change in Net Assets | 283,280 | (167,896) | 115,384 |
| Net Assets, Beginning of Year | <u>574,647</u> | <u>862,724</u> | <u>1,437,371</u> |
| Net Assets, End of Year | <u>\$ 857,927</u> | <u>\$ 694,828</u> | <u>\$ 1,552,755</u> |

The accompanying Notes are an integral
part of these financial statements

VisionTrust International, Inc.

Statement of Functional Expenses

Year ended December 31, 2016

| | Program Services | Supporting Services | | Total |
|--|---------------------|-------------------------------|-------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 1,105,130 | \$ 420,303 | \$ 158,734 | \$ 1,684,167 |
| Employee benefits | 211,122 | 80,276 | 30,324 | 321,722 |
| Payroll taxes | 75,689 | 28,780 | 10,871 | 115,340 |
| Total personnel costs | <u>1,391,941</u> | <u>529,359</u> | <u>199,929</u> | <u>2,121,229</u> |
| Program ministries | 3,633,926 | - | - | 3,633,926 |
| Travel | 909,655 | 22,092 | 13,922 | 945,669 |
| Depreciation | 114,967 | 43,989 | 16,513 | 175,469 |
| Computer and software | 71,279 | 27,833 | 11,957 | 111,069 |
| Consulting and other contracted services | 42,996 | 22,108 | 9,536 | 74,640 |
| Supplies and maintenance | 33,792 | 27,040 | 8,380 | 69,212 |
| Bank and credit card fees | - | 54,580 | - | 54,580 |
| Interest | 25,599 | 18,032 | 4,563 | 48,194 |
| Marketing and printing | 37,678 | - | 750 | 38,428 |
| Miscellaneous expenses | 19,231 | 7,223 | 3,803 | 30,257 |
| Telecommunications | 19,149 | 7,281 | 2,751 | 29,181 |
| Postage | 18,183 | 6,914 | 2,612 | 27,709 |
| Legal and professional fees | 2,396 | 18,429 | 344 | 21,169 |
| Utilities | 12,644 | 4,814 | 1,887 | 19,345 |
| Equipment rent | 9,250 | 3,517 | 1,329 | 14,096 |
| Dues, subscriptions and fees | 5,819 | 2,315 | 5,513 | 13,647 |
| Insurance | 7,524 | 2,887 | 1,392 | 11,803 |
| Advertising | 3,115 | 1,184 | 447 | 4,746 |
| Total expenses | <u>\$ 6,359,144</u> | <u>\$ 799,597</u> | <u>\$ 285,628</u> | <u>\$ 7,444,369</u> |

The accompanying Notes are an integral part of these financial statements

VisionTrust International, Inc.

Statement of Functional Expenses

Year ended December 31, 2015

| | Program Services | Supporting Services | | Total |
|--|---------------------|-------------------------------|-------------|--------------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 1,210,892 | \$ 306,987 | \$ 187,603 | \$ 1,705,482 |
| Employee benefits | 245,928 | 62,348 | 38,101 | 346,377 |
| Payroll taxes | 74,278 | 18,831 | 11,508 | 104,617 |
| Total personnel costs | 1,531,098 | 388,166 | 237,212 | 2,156,476 |
| Program ministries | 2,936,782 | - | - | 2,936,782 |
| Travel | 1,100,344 | 2,250 | 55,866 | 1,158,460 |
| Consulting and other contracted services | 166,300 | 10,177 | 47,765 | 224,242 |
| Computer and software | 106,948 | 21,525 | 13,154 | 141,627 |
| Depreciation | 94,857 | 24,048 | 14,696 | 133,601 |
| Legal and professional fees | 6,646 | 80,988 | 904 | 88,538 |
| Supplies and maintenance | 35,465 | 12,282 | 7,612 | 55,359 |
| Bank and credit card fees | 95 | 51,674 | - | 51,769 |
| Interest | 35,812 | 9,079 | 5,549 | 50,440 |
| Marketing and printing | 42,862 | - | 916 | 43,778 |
| Postage | 23,493 | 5,956 | 3,639 | 33,088 |
| Telecommunications | 24,961 | 3,143 | 1,920 | 30,024 |
| Miscellaneous expenses | 22,178 | 4,521 | 1,063 | 27,762 |
| Insurance | 14,475 | 8,421 | 2,230 | 25,126 |
| Utilities | 8,694 | 2,204 | 1,347 | 12,245 |
| Dues, subscriptions and fees | 3,968 | 5,538 | 615 | 10,121 |
| Equipment rent | 8,759 | 813 | 496 | 10,068 |
| Advertising | 608 | 172 | 177 | 957 |
| Total expenses | \$ 6,164,345 | \$ 630,957 | \$ 395,161 | \$ 7,190,463 |

The accompanying Notes are an integral
part of these financial statements

VisionTrust International, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

| Years ended December 31 | 2016 | 2015 |
|--|--------------------------|--------------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 115,530 | \$ 115,384 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 175,469 | 133,601 |
| Amortization of debt issuance costs | 1,266 | 1,266 |
| Net realized and unrealized (gain) loss on investments | (8,781) | 6,441 |
| Loss on disposal of property and equipment | 261 | 3,957 |
| Donated property held for sale | - | (100,000) |
| Increase (decrease) from changes in assets and liabilities | | |
| Prepaid expenses and other current assets | (80,601) | 3,739 |
| Accounts payable | 5,893 | - |
| Accrued compensation and benefits | (6,945) | 5,058 |
| Other accrued expenses and deposits | (4,590) | (8,013) |
| Deferred revenue | 2,110 | - |
| Net cash provided by operating activities | <u>199,612</u> | <u>161,433</u> |
| Cash Flows From Investing Activities | | |
| Purchases of investments | (58,783) | (10,362) |
| Proceeds from sale of investments | 76,731 | 70,295 |
| Purchases of property and equipment | (105,317) | (359,785) |
| Proceeds from sale of property and equipment | 100,000 | - |
| Net cash provided (used) by investing activities | <u>12,631</u> | <u>(299,852)</u> |
| Cash Flows From Financing Activities | | |
| Principal payments on capital lease | (1,044) | - |
| Principal payments on notes payable | (46,717) | (44,359) |
| Net cash used by financing activities | <u>(47,761)</u> | <u>(44,359)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 164,482 | (182,778) |
| Cash and Cash Equivalents, Beginning of Year | <u>621,459</u> | <u>804,237</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 785,941</u> | <u>\$ 621,459</u> |
| Supplemental Information | | |
| Cash paid for interest | \$ 46,928 | \$ 49,174 |
| Equipment acquired with a capital lease | \$ 10,700 | \$ - |

The accompanying Notes are an integral part of these financial statements

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. VisionTrust International, Inc. ("the Organization") is a Colorado non-profit corporation established in 1997 whose mission and principal activities are to develop orphaned and neglected children into mature Christians equipped to live in their own culture. The mission is achieved by enabling Christian nationals to meet the physical, educational, emotional, and spiritual needs of these children through orphanages and schools. The Organization's support is derived principally from charitable contributions from churches and individuals.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Classification. The Organization has adopted accounting standards which require that the organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets. Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity. The Organization does not currently have any permanently restricted net assets.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Organization routinely maintains cash balances in excess of federally insured limits.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the investment income (loss) in the accompanying statements of activities.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Investments (continued). Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2016 and 2015.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally five to thirty years for building and improvements, three to five years for computer equipment and systems, five years for vehicles, and three to five years for furniture and equipment. Depreciation expense totaled \$175,469 and \$133,601 for the years ended December 31, 2016 and 2015, respectively.

Property Held for Sale. Property held for sale consisted of land donated to the Organization during the year ended December 31, 2015. The property was held at fair market value less estimated selling costs. The property was sold during 2016 for \$100,000.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2016 and 2015.

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services totaled \$218,297 and \$178,598 for the years ended December 31, 2016 and 2015, respectively.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

The Organization is subject to unrelated business income tax on its rental income. As of December 31, 2016, the Organization has incurred a net operating loss carryforward of approximately \$49,500. A deferred tax benefit has not been recorded on the accompanying financial statements as it is not determinable if the Organization will obtain a future benefit from this net operating loss carryforward.

Income taxes for the years ended December 31, 2013 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$4,746 and \$957, respectively.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2015 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 2, 2017, the date at which the financial statements were available for release.

Note 2 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|-------------------|----------------|----------------|-------------------|
| Equity securities | | | | |
| Domestic common stock | \$ 67,939 | \$ - | \$ - | \$ 67,939 |
| Domestic preferred stock | 13,198 | - | - | 13,198 |
| Mutual funds | | | | |
| High yield bond funds | 32,403 | - | - | 32,403 |
| Foreign large blend funds | 8,596 | - | - | 8,596 |
| Multisector bond funds | 7,491 | - | - | 7,491 |
| | <u>\$ 129,627</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 129,627</u> |

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 – Fair Value Measurements (continued)

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|-------------------|-------------|-------------|-------------------|
| Equity securities | | | | |
| Domestic common stock | \$ 65,508 | \$ - | \$ - | \$ 65,508 |
| Domestic preferred stock | 11,886 | - | - | 11,886 |
| Mutual funds | | | | |
| Fixed income funds | 36,580 | - | - | 36,580 |
| Large cap funds | 16,703 | - | - | 16,703 |
| International funds | 8,117 | - | - | 8,117 |
| | <u>\$ 138,794</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 138,794</u> |

Net investment earnings (loss) consisted of the following for the years ended December 31:

| | 2016 | 2015 |
|--|------------------|-------------------|
| Interest and dividends | <u>\$ 6,518</u> | <u>\$ 3,962</u> |
| Net realized and unrealized gain (loss) on investments | <u>8,781</u> | <u>(6,441)</u> |
| | <u>15,299</u> | <u>(2,479)</u> |
| Investment fees | <u>(1,559)</u> | <u>(2,155)</u> |
| | <u>\$ 13,740</u> | <u>\$ (4,634)</u> |

Note 3 – Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2016 | 2015 |
|--------------------------------|---------------------|---------------------|
| Land | <u>\$ 174,865</u> | <u>\$ 174,865</u> |
| Building and improvements | <u>1,549,804</u> | <u>1,525,031</u> |
| Computer equipment and systems | <u>689,631</u> | <u>405,541</u> |
| Vehicles | <u>75,738</u> | <u>75,738</u> |
| Furniture and equipment | <u>73,541</u> | <u>61,019</u> |
| | <u>2,563,579</u> | <u>2,242,194</u> |
| Less accumulated depreciation | <u>(914,385)</u> | <u>(743,459)</u> |
| | <u>1,649,194</u> | <u>1,498,735</u> |
| Construction in progress | <u>-</u> | <u>210,172</u> |
| Net property and equipment | <u>\$ 1,649,194</u> | <u>\$ 1,708,907</u> |

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 4 – Notes Payable

Long-term debt obligations consisted of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Note payable to Northstar Bank, interest at the Wall Street Journal Prime Rate plus 1.34% (effectively 4.59% as of December 31, 2016), monthly principal and interest payments of \$7,366 through December 2023, collateralized by the building and improvements and assignment of rents. | \$ 952,792 | \$ 995,867 |
| Note payable to Northstar Bank, interest at the Wall Street Journal Prime Rate plus 1.34% (effectively 4.59% as of December 31, 2016), monthly principal and interest payments of \$429 through November 2023, collateralized by the building and improvements and assignment of rents. | 30,359 | 34,001 |
| Less unamortized debt issuance costs | <u>(8,848)</u> | <u>(10,114)</u> |
| | 974,303 | 1,019,754 |
| Less current portion | <u>(49,438)</u> | <u>(46,626)</u> |
| | <u>\$ 924,865</u> | <u>\$ 973,128</u> |

Scheduled maturities of the long-term notes payable are as follows at December 31, 2016:

| Year ended December 31 | Notes Payable | Amortization of Debt Issuance Costs | Total |
|---------------------------|-------------------|---|-------------------|
| 2017 | \$ 49,438 | \$ 1,266 | \$ 48,172 |
| 2018 | 51,756 | 1,266 | 50,490 |
| 2019 | 54,182 | 1,266 | 52,916 |
| 2020 | 56,722 | 1,266 | 55,456 |
| 2021 | 59,381 | 1,266 | 58,115 |
| Thereafter | 711,672 | 2,518 | 709,154 |
| | <u>\$ 983,151</u> | <u>\$ 8,848</u> | <u>\$ 974,303</u> |

During the year ended December 31, 2016, the Organization retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of December 31, 2015, was previously reported on the statement of financial position as \$1,029,868 with the associated \$10,114 unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the statements of activities.

The Organization was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2016 and 2015.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 - Lease Commitments

Capital Lease. The Organization leases equipment under a noncancelable capital lease. The lease expires June 2021. The leased equipment has a cost of \$10,700 and accumulated depreciation of \$1,248 at December 31, 2016.

Future minimum lease payments required under the noncancelable capital lease are as follows at December 31, 2016:

| <u>Year ended December 31</u> | <u>Amount</u> |
|-----------------------------------|-----------------|
| 2017 | \$ 2,288 |
| 2018 | 2,388 |
| 2019 | 2,388 |
| 2020 | 2,388 |
| 2021 | 995 |
| Total minimum lease payments | 10,447 |
| Less amount representing interest | (791) |
| | <u>\$ 9,656</u> |

Operating Leases. The Organization leases equipment and software hosting services under multiple noncancelable operating leases, which expire from May 2017 through February 2020. Rent expense, including supplies and maintenance, under the leases totaled \$51,668 and \$47,018 for the years ended December 31, 2016 and 2015, respectively.

Future annual minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2016:

| <u>Year ended December 31</u> | <u>Total</u> |
|-----------------------------------|------------------|
| 2017 | \$ 19,744 |
| 2018 | 5,604 |
| 2019 | 5,604 |
| 2020 | 467 |
| | <u>\$ 31,419</u> |

The Organization leases out office units to a third party under a noncancelable operating lease. The lease requires monthly minimum payments of \$1,635, and expires in December 2017. Rental income under the agreement, including rents received under other short-term leasing arrangements, totaled \$88,539 for each of the years ended December 31, 2016 and 2015.

Future annual minimum lease payments to be received under the noncancelable operating lease as of December 31, 2016 totaled \$19,620 for the year ended December 31, 2017.

VisionTrust International, Inc.

Notes to Financial Statements

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Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds restricted to the following purposes at December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-------------------|-------------------|
| Liberia | \$ 271,149 | \$ 100,011 |
| VisionTrust projects | 176,774 | 103,988 |
| Dominican Republic | 84,248 | 59,616 |
| Zimbabwe | 54,114 | 42,207 |
| Central African Republic | 39,388 | 25,342 |
| Tanzania | 35,520 | 31,103 |
| Myanmar | 33,684 | 36,491 |
| Guatemala | 25,431 | 133,687 |
| Haiti | 24,369 | 1,925 |
| Malawi | 10,400 | 11,788 |
| Nepal | 10,000 | 107,847 |
| Peru | 5,974 | 13,947 |
| Thailand | 3,244 | - |
| Togo | 3,000 | 478 |
| Brazil | 1,845 | 5,178 |
| India | - | 19,115 |
| Sierra Leone | - | 2,105 |
| | <u>\$ 779,140</u> | <u>\$ 694,828</u> |

Note 7 – Board-designated Net Assets

The Board of Directors has designated \$20,710 and \$10,285 of unrestricted net assets for the Taylor Fund at December 31, 2016 and 2015, respectively. These funds are restricted designations imposed internally and are recorded as unrestricted assets.

Note 8 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 403(b). The Organization provides a matching contribution to the plan of up to 3% of the employee's eligible annual compensation for all employees over the age of 21 with one year of service and 1,000 hours worked. The Organization contributed \$28,472 and \$34,322 to the plan for the years ended December 31, 2016 and 2015, respectively.

Note 9 – State Unemployment Self Insurance Plan

The Organization participates in a state unemployment self insurance plan. The claim exposure varies based on the number of state approved claims. Under the plan, the Organization accrues the estimated expense of state unemployment costs based on approved claims received from its insurance company. There were no accruals as of December 31, 2016 and 2015. Claim payments based on actual claims ultimately filed could differ materially from these estimates.