LeSea Global Feed the Hungry, Inc. and Subsidiary

Consolidated Financial Statements
and
Independent Auditor's Report

December 31, 2014 and 2013

Contents

Page

Independent Auditor's Report 3

Consolidated Financial Statements

Consolidated Statements of Financial Position 4

Consolidated Statements of Activities and Net Assets 5

Consolidated Statements of Functional Expenses ..... 6 - 7

Consolidated Statements of Cash Flows 8

Notes to Consolidated Financial Statements ..... 9 - 14

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
LeSea Global Feed the Hungry, Inc. and Subsidiary
South Bend, Indiana

We have audited the accompanying consolidated financial statements of LeSEA Global Feed the Hungry, Inc. and its Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LeSEA Global Feed the Hungry, Inc. and its Subsidiary as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma
September 9, 2015

Stanfield & O'Dell P.C.

LeSEA Global FEED THE HUNGRY A full life feels good.™

Consolidated Statements of Financial Position

December 31,

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 291,473	$ 293,874
Investments	524,397	502,711
Accounts receivable, net	30,468	29,157
Accounts receivable, from related parties	-	235,908
Inventory	1,395,193	636,490
Other current assets	58,321	49,607
Total current assets	2,299,852	1,747,747
Property and equipment	782,353	758,023
Less accumulated depreciation	(708,481)	(685,500)
Net property and equipment	73,872	72,523
Other assets		
Cash value life insurance	110,859	98,214
Total other assets	110,859	98,214
Total assets	$ 2,484,583	$ 1,918,484
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 139,982	$ 103,927
Accounts payable, from related parties	267,134	-
Accrued payroll and related withholdings	61,391	40,803
Split interest agreements	250,100	250,100
Total current liabilities	718,607	394,830
Net assets		
Unrestricted net assets	1,765,976	1,523,654
Total liabilities and net assets	$ 2,484,583	$ 1,918,484

The accompanying notes are an integral part of these consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

LeSEA Global FEED THE HUNGRY A full life feels good.

Consolidated Statements of Activities and Net Assets

Years Ended December 31,

	2014	2013
Public support and revenue		
Public Support		
Contributions	$ 2,609,540	$ 2,299,261
Contributions and other revenue from affiliates	780,517	964,366
In-kind contributions	13,161,083	9,469,463
Total public support	16,551,140	12,733,090
Revenue		
Sales	294,375	277,333
Investment income	25,682	94,861
Auxiliary revenue, net of expenses	(14,354)	24,923
Total net revenue	305,703	397,117
Total public support and revenue	16,856,843	13,130,207
Expenses		
Program		
Feed the Hungry	15,200,765	12,023,060
FTH Logistics	270,320	263,777
	15,471,085	12,286,837
Support services		
General and administrative	133,433	122,335
Fundraising	1,010,003	821,600
	1,143,436	943,935
Total expenses	16,614,521	13,230,772
Change in net assets	242,322	(100,565)
Net assets, beginning of year	1,523,654	1,624,219
Net assets, end of year	$ 1,765,976	$ 1,523,654

The accompanying notes are an integral part of these consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

LeSEA Global FEED THE HUNGRY A full life feels good.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2014

	Program Services			Supporting Services			
	Feeding the Hungry	Transportation Logistics	Total	General and Administrative	Fundraising	Total	Total Expenses
Personnel costs	$ 456,182	$ 80,908	$ 537,090	$ 39,577	$ 221,836	$ 261,413	$ 798,503
Gift-in-kind and purchased food	12,543,438	-	12,543,438	-	-	-	12,543,438
Services	326,846	1,200	328,046	93,340	506,473	599,813	927,859
Shipping	813,397	164,892	978,289	-	54	54	978,343
Missions and outreach	460,402	-	460,402	-	-	-	460,402
Advertising	2,698	-	2,698	-	15,213	15,213	17,911
Postage and mailings	227,250	-	227,250	-	252,982	252,982	480,232
Travel	170,566	13,449	184,015	-	7,928	7,928	191,943
Building costs	65,035	-	65,035	-	-	-	65,035
Fees and bank charges	38,798	2,977	41,775	-	4,144	4,144	45,919
Repairs and maintenance	16,258	7,077	23,335	-	-	-	23,335
Supplies	22,158	1,380	23,538	-	364	364	23,902
Utilities and phone	12,181	651	12,832	516	1,009	1,525	14,357
Other	14,645	(3,084)	11,561	-	-	-	11,561
Total expenses before depreciation	15,169,854	269,450	15,439,304	133,433	1,010,003	1,143,436	16,582,740
Depreciation	30,911	870	31,781	-	-	-	31,781
Total expenses	$ 15,200,765	$ 270,320	$ 15,471,085	$ 133,433	$ 1,010,003	$ 1,143,436	$ 16,614,521

The accompanying notes are an integral part of these consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

LeSEA Global FEED THE HUNGRY A full life feels good.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2013

	Program Services			Supporting Services			
	Feeding the Hungry	Transportation Logistics	Total	General and Administrative	Fundraising	Total	Total Expenses
Personnel costs	$ 445,578	$ 81,652	$ 527,230	$ 39,636	$ 180,241	$ 219,877	$ 747,107
Gift-in-kind and purchased food	9,718,669	-	9,718,669	-	-	-	9,718,669
Services	237,073	2,525	239,598	82,202	354,363	436,565	676,163
Shipping	715,847	151,387	867,234	-	18	18	867,252
Missions and outreach	409,209	-	409,209	-	-	-	409,209
Advertising	136,726	-	136,726	-	206,193	206,193	342,919
Postage and mailings	54,104	-	54,104	-	68,959	68,959	123,063
Travel	131,908	12,255	144,163	-	5,105	5,105	149,268
Building costs	61,183	-	61,183	-	-	-	61,183
Fees and bank charges	27,625	4,462	32,087	25	5,294	5,319	37,406
Repairs and maintenance	12,990	3,975	16,965	-	-	-	16,965
Supplies	18,648	365	19,013	-	297	297	19,310
Utilities and phone	9,568	646	10,214	472	1,130	1,602	11,816
Other	14,955	4,770	19,725	-	-	-	19,725
Total expenses before depreciation	11,994,083	262,037	12,256,120	122,335	821,600	943,935	13,200,055
Depreciation	28,977	1,740	30,717	-	-	-	30,717
Total expenses	$ 12,023,060	$ 263,777	$ 12,286,837	$ 122,335	$ 821,600	$ 943,935	$ 13,230,772

The accompanying notes are an integral part of these consolidated financial statements.

LeSEA Global FEED THE HUNGRY A full life feels good.™

Consolidated Statements of Cash Flows

Years Ended December 31,

	2014	2013
Cash flows from operating activities		
Increase (decrease) in net assets	$ 242,322	$ (100,565)
Adjustments to reconcile net increase (decrease) in net assets to net cash from operating activities:		
Depreciation	31,781	30,717
Gifts in-kind used from inventory	(758,703)	(92,307)
Net unrealized gains	(21,686)	(55,208)
Advertising services received in exchange for partial settlement on a related party receivable	-	300,000
Adjustments for changes in operating assets and liabilities:		
Related party accounts receivable and payable	503,042	-
Accounts receivable, net	(1,311)	(16,792)
Other current assets	(8,714)	(22,697)
Accounts payable	36,055	(47,628)
Accrued payroll and related withholdings	20,588	7,267
Net cash provided by operating activities	43,374	2,787
Cash flows from investing activities		
Purchase of property and equipment	(33,130)	(6,109)
Proceeds from sale of investments	-	68,821
Purchase of investments	-	(63,529)
Change in cash value of life insurance	(12,645)	(10,022)
Additions to receivables from related parties	-	(100,110)
Net cash used in investing activities	(45,775)	(110,949)
Decrease in cash and cash equivalents	(2,401)	(108,162)
Cash and cash equivalents, beginning of year	293,874	402,036
Cash and cash equivalents, end of year	$ 291,473	$ 293,874

The accompanying notes are an integral part of these consolidated financial statements.

Note A – Description of Organization and Summary of Significant Accounting Policies

1. *Description of Organization*

LeSEA Global Feed the Hungry, Inc. (the Organization) is located in South Bend, Indiana and is incorporated under the laws of the State of Indiana as a not-for-profit corporation. The primary objective and mission since Dr. Lester Sumrall started the Organization has been a clear focus on bringing help by distributing food and relief supplies to those in need due to poverty, famine, drought, flood, war, or other natural disaster. Food and relief supplies have been distributed throughout the world through the Pastor-to-Pastor and Church-to-Church programs. Each distribution of food and supplies also provides an opportunity to touch the spirit and soul of those in need through prayer, encouragement, and sharing the Gospel of Jesus Christ.

The Organization established FTH Logistics, Inc., a for-profit entity assisting the Organization with its initiatives to ship food and relief supplies across the world.

2. *Principles of Consolidation*

The consolidated financial statements include the accounts of LeSEA Global Feed the Hungry, Inc. and its Subsidiary, FTH Logistics, Inc. which was formed to provide transportation logistic services related to the Organization's mission. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. *Revenue Recognition*

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Contributions received are presented as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the contribution is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. At December 31, 2014 and December 31, 2013 and for the years then ended, all net assets were deemed unrestricted.

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

4. *Use of Estimates*

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and cash on deposit with financial institutions. The Organization has deposits with financial institutions that periodically exceed FDIC insurance limits. No losses have been incurred or are expected on these funds.

6. *Investments*

In accordance with FASB Accounting Standards Code (ASC) 820, *Fair Value Measurements and Disclosures*, the Organization has reviewed its investments and considers all as "Level 1 Inputs" and has recognized all investments at fair value on the statement of financial position. Fair values have been calculated utilizing quotes for identical items in active markets. Investments at December 31, 2014 consist of stocks of $109,388 and mutual funds of $415,009. Investments at December 31, 2013 consist of stocks of $108,060 and mutual funds of $394,651. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

The net change in realized and unrealized gains and losses is presented as investment income on the accompanying statements of activities. For 2014 and 2013, interest (including interest on receivables) and dividends totaled $21,650 and $33,313, respectively, and there were realized gains of $13,982 and $12,933, unrealized (losses) and gains of $(5,282) and $52,887, and investment fees of $4,668 and $4,272, respectively.

The various investments in securities and mutual funds are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization.

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

7. *Accounts Receivable*

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. At December 31, 2014 and December 31, 2013, the allowance for doubtful accounts was estimated by management to be $8,576 and $12,235, respectively. Factors considered in determining collectability include customers past collection history, an aged analysis of receivables, economic conditions, as well as the financial health of its customers. The Organization does not normally charge interest on past due accounts.

8. *Inventory*

Inventory consists of donated goods, including food, office supplies, and other items. Inventories are stated at the lower of cost or market. Cost is estimated based on fair value for donated goods and is determined using the first-in, first-out method.

9. *Property and Equipment*

Purchased property and equipment are stated at cost. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets on the straight-line basis. Depreciation expense for the years ended December 31, 2014 and 2013 was $31,781 and $30,717, respectively.

A summary of the range of lives by asset category is as follows:

Land and land improvements	10 - 40 years
Building and building improvements	5 - 40 years
Equipment	3 - 10 years
Vehicles	5 years

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

10. *Income Taxes*

The Organization is a not-for-profit organization exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions. The Organization is subject to taxes on the business income, when incurred, from FTH Logistics, Inc. During 2014 and 2013, there were no taxes on unrelated business income or on the for-profit entity because all applicable activities produced a taxable loss. Accordingly, no tax provision has been recorded in these financial statements. The Organization's information returns are open for examination for a period of three years from the date filed.

11. *Contributions*

The Organization receives donated food and supplies (in-kind contributions) from various donors. The Organization records the value of in-kind contributions as revenue for the programs or activities benefited at their estimated fair values at the date of receipt. Expense is recognized when inventory is shipped to a recipient. For 2014 and 2013, in-kind contributions totaled $13,161,083 and $9,469,463, respectively, and in-kind expense was $12,402,380 and $9,377,156, respectively.

12. *Advertising Expense*

Various costs relating to advertising are considered period costs and are expensed as incurred. Advertising costs for the years ended December 31, 2014 and 2013 were $17,911 and $342,919, respectively. Advertising costs at December 31, 2014 and 2013 include advertising services valued at $300,000 received from LeSEA Broadcasting, Inc. In exchange for these services, the Organization reduced the balance of the receivable due from LeSEA Broadcasting, Inc.

13. *Allocation of Expenses*

The program activities and supporting services of the Organization have certain expenses that have been allocated among the programs and supporting services benefited.

14. *Allocation of Joint Costs*

The Organization conducts activities that include requests for contributions as well as program components. These activities include direct mail letters, television time, newsletters, brochures, and other such items. The costs of conducting these activities are not specifically attributable to particular components of the activities (joint costs). Material costs and television time are allocated to fundraising based on the actual percentage of the item or time of the event used for fundraising. Personnel costs are allocated based on estimates of the percent of annual time worked on the aforementioned activities and publications. Total joint costs for the years ended December 31, 2014 and 2013 were $1,090,814 and $893,537, respectively, of which $382,730 and $308,390, respectively, were allocated to program and $708,084 and $585,147, respectively, were allocated to fundraising.

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

15. *Subsequent Events*

The Organization has evaluated subsequent events through September 9, 2015, the date which the financial statements were available to be issued.

Note B – Property and Equipment

Property and equipment includes the following at December 31:

	2014	2013
Land and land improvements	$ 6,670	$ 6,670
Buildings and improvements	455,066	455,066
Equipment	286,689	260,359
Vehicles	33,928	33,928
Construction in progress	-	2,000
	782,353	758,023
Less: Accumulated depreciation	(708,481)	(685,500)
	$ 73,872	$ 72,523

Note C – Related Party Activity

The Organization has an interest bearing note receivable from LeSEA Broadcasting Corporation (Broadcasting) for $300,000 as of December 31, 2013. At the close of business on December 31, 2014, it was agreed that the note would be settled against the outstanding payable balance due to Broadcasting.

The Organization has an outstanding payable to Broadcasting for $284,565 and $90,939 as of December 31, 2014 and 2013, respectively.

The Organization has an outstanding receivable from LeSEA, Inc. (the Church) for $17,000 and $26,847 as of December 31, 2014 and 2013, respectively.

The Organization purchased $300,000 in advertising services and approximately $66,000 of accounting services annually from Broadcasting during 2014 and 2013.

Note D – Split Interest Liabilities

The split interest liabilities include liabilities related to life loans, which are revocable. Split interest liabilities are amounts held on behalf of donors and managed by the Organization. Donors receive the interest earned on the investments up to 6 percent. Upon the death of the donors, the funds become the property of the Organization. The liability of life loans totaled $250,100 at December 31, 2014 and 2013, and represents the principal amount that may be withdrawn with 90 days notice. Funds retained to cover payments to beneficiaries are included in the Organization's investments.

Note E – Affiliated Entities

The Organization has established a network of international affiliated entities to assist with distributing necessities to people in need throughout the world. During 2014 and 2013, the Organization received approximately $320,000 and $555,000, respectively, in contributions from these affiliates and earned approximately $460,000 and $409,000, respectively, for sales of services to affiliate organizations. All expenses incurred by the Organization on behalf of these affiliates have been recognized as program services in the statement of functional expenses.