

CONSOLIDATED  
FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

ZOE INTERNATIONAL  
ZOE FOUNDATION AUSTRALIA  
ZOE JAPAN

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
ZOE International

I have audited the accompanying consolidated financial statements of ZOE International (a nonprofit organization), ZOE Foundation Australia (a nonprofit organization) and ZOE Japan (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities 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 the 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**

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I did not audit the financial statements of ZOE Foundation Australia, a related entity, which statements reflect total assets constituting 1.0% of consolidated total assets as of December 31, 2018 and 2017, and total support and revenues constituting 9.4% and 6.3% of consolidated total support and revenues, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for ZOE Foundation Australia, is based solely on the report of the other auditors. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 judgement, 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, I 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

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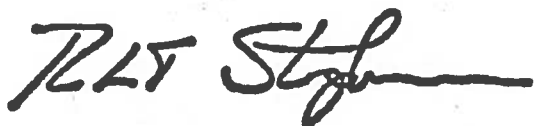
Board of Directors  
ZOE International

the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, based on my audits and the report of other auditors, the consolidated financial statements referred to above present fairly in all material respects, the financial position of ZOE International, ZOE Foundation Australia and ZOE Japan as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "R. Stephenson", with a long horizontal flourish extending to the right.

Manhattan Beach, California  
July 26, 2019

ZOE International, ZOE Foundation Australia and ZOE Japan

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended December 31

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$4,284,312	\$3,371,580
Prepaid expenses	<u>12,396</u>	<u>-</u>
Total current assets	4,296,708	3,371,580
Fixed and term deposit accounts	60,781	7,817
Property, plant, and equipment, net of accumulated depreciation	5,197,984	4,928,213
Deposit	<u>11,950</u>	<u>-</u>
Total assets	\$9,567,423 =====	\$8,307,610 =====

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 34,260</u>	<u>\$ 35,138</u>
Total current liabilities	<u>34,260</u>	<u>35,138</u>
Total liabilities	34,260	35,138
Commitment		
Net assets:		
Net assets without donor restrictions	6,929,070	6,323,169
Net assets with donor restrictions:		
Missionary support	459,841	404,394
Children's homes - Los Angeles	7,352	11,868
Building Fund - Los Angeles	2,052,262	1,294,704
Building Fund - Thailand	-	153,905
Other	<u>84,638</u>	<u>84,432</u>
Total net assets with donor restrictions	<u>2,604,093</u>	<u>1,949,303</u>
Total net assets	<u>9,533,163</u>	<u>8,272,472</u>
Total liabilities and net assets	\$9,567,423 =====	\$8,307,610 =====

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

ZOE International, ZOE Foundation Australia and ZOE Japan

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrestricted support and revenue		
Contributions	\$1,618,100	\$ 845,495
Merchandise sales	3,363	6,287
Other	<u>2,242</u>	<u>1,185</u>
Total unrestricted support and revenue before release of restricted net assets	1,623,705	852,967
Net assets released from donor restrictions		
Restrictions satisfied by payments	<u>2,402,253</u>	<u>2,979,643</u>
Total unrestricted support and revenue	<u>4,025,958</u>	<u>3,832,610</u>
Expenses		
Program services	2,531,253	2,414,767
Supporting services		
Fundraising	187,593	93,296
Management and general	<u>668,614</u>	<u>506,267</u>
Total expenses	<u>3,387,460</u>	<u>3,014,330</u>
Increase in net assets without donor restrictions	<u>638,498</u>	<u>818,280</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	3,057,043	3,311,550
Grants	-	276,409
Net assets released from donor restrictions		
Restrictions satisfied by payments	<u>(2,402,253)</u>	<u>(2,979,643)</u>
Increase (decrease) in net assets with donor restrictions	<u>654,790</u>	<u>608,316</u>
Increase in net assets	1,293,288	1,426,596
Net assets, beginning of year	8,272,472	6,348,997
Foreign currency translation gain (loss)	<u>(32,597)</u>	<u>496,879</u>
Net assets, end of year	\$9,533,163 =====	\$8,272,472 =====

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

ZOE International, ZOE Foundation Australia and ZOE Japan

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$1,293,288	\$1,426,596
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	209,682	176,530
(Increase) decrease in assets		
Prepaid expenses	(12,396)	-
Deposit	(11,950)	-
Increase (decrease) in liabilities		
Accounts payable	<u>(878)</u>	<u>(5,510)</u>
Net cash provided by operating activities	1,477,746	1,597,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases for property and equipment	(469,523)	(907,020)
Investment in term deposit account	<u>(52,964)</u>	<u>(693)</u>
Net cash (used in) investing activities	(522,487)	(907,713)
Foreign currency translation adjustment	<u>(42,527)</u>	<u>116,538</u>
NET INCREASE IN CASH	912,732	806,441
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,371,580</u>	<u>2,565,139</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$4,284,312 =====	\$3,371,580 =====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

ZOE International ("ZOE") is a non-profit organization originally incorporated as ZOE in California on December 7, 2002. The ultimate goal of ZOE is to present the gospel of Jesus Christ to those who have never heard the story of Jesus, inviting them to a life transformation through Christ, and to demonstrate the gospel through the prevention, rescue, and restoration of children victimized by human trafficking worldwide.

On a micro level, ZOE mainly seeks to assist children at risk of human trafficking and children who have already been caught in the snare of slavery. On a macro level, ZOE seeks to help the whole of society shift from a mindset that turns a blind eye toward child trafficking to one that rejects and actively opposes the sexual and financial exploitation of children.

ZOE's vision is to help fulfill God's dream that every person on earth will know Him and possess eternal life through Jesus Christ; and that in lands where Christ is unknown, His love will be experienced, His kingdom will reign, His Church will be built, His disciples will multiply, and He will be glorified.

To that end, ZOE's primary objective is to rescue and protect destitute children from slavery. ZOE desires to provide a holistic answer to the question, "Who will embody the love, mercy, and good news of God to orphans and vulnerable children who have been enslaved or who are highly at risk of being enslaved?" ZOE believes God's heart is broken for these children because He is the "father to the fatherless" (Psalm 68:5). "The thief comes only to steal and kill and destroy; I [Jesus] have come that they may have life (Greek: *zoe*), and to have it to the full" (John 10:10). Those at ZOE derive great joy and peace, understanding that while the challenges surrounding trafficking issues are immense, God is greater than the evil and is able to overcome it. They desire that all of the world's children will be safe and aware of their worth as beloved creations of the almighty God.

In January 2007, ZOE International Foundation was formed as a nonprofit entity in Thailand. The primary purpose of the entity is to legally operate programs in Thailand, and achieve the objectives of the founding corporation based in the United States. ZOE International Foundation's board of directors has five members, of whom three serve as directors on ZOE's board as well.

In November of 2011, ZOE Foundation Australia, a nonprofit organization, was incorporated and domiciled in Australia. The primary purpose of the entity is to fund the deployment of human trafficking prevention programs and rescue operations in Thailand through the in-country partner, ZOE International Foundation. Additionally, ZOE Foundation Australia raises funds for ZOE children's home in Chiang Mai, Thailand which provides shelter and aftercare to orphans and children at risk of, and those who have been rescued from, human trafficking. ZOE Foundation Australia's board has five members, of whom two serve as directors on ZOE's board as well.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

In March 2017, ZOE Japan was formed as a private organization and became legally recognized in Japan in September 2017. ZOE Japan's board has three members, of whom one serves as a director on ZOE's board as well. The two Japanese staff provide Child Trafficking Prevention education and awareness to schools, churches, and community groups, and translate ZOE's educational materials and media into Japanese.

ZOE Mexico obtained legal status in 2017 to operate as a nonprofit to provide training to equip the Mexican citizens with tools to prevent child trafficking. ZOE is committed to be part of the solution to the large human trafficking problem in Mexico. In 2018, ZOE Mexico opened an office in Oaxaca, continued to partner with a school serving at-risk children, and started a prevention curriculum to be taught in schools whose children are vulnerable to human trafficking. Opportunities are being explored with key government officials and leaders to combat human trafficking.

ZOE's Child Rescue program is on the cutting edge of prevention, intervention, and aftercare for child trafficking victims. Their multi-faceted strategy includes anti-trafficking education, food and medical provision, leadership training, self-sustainable agriculture, coordinating access to social services, and network-building. They partner with other organizations and area churches to provide food, shoes, and other needed items to vulnerable communities.

ZOE's Children's Homes in Thailand enables their children to attend public or private schools. Life skills education is also part of the Children's Homes program. This includes learning basic agricultural, sewing, cooking, weaving, money handling, and marketplace skills. In May 2017, ZOE received Thai government authorization to confer official educational diplomas on students who matriculate from ZOE's Learning Center, greatly enhancing their access to better jobs. The Center provides traditional and vocational education to children at ZOE who are unable to attend to attend school off campus due to educational delays or safety concerns related to ongoing court cases.

ZOE has an active Self-Sustainability program with dedicated agricultural staff on their 33-acre Thailand campus, including organic crop production, organic animal husbandry, fish farming, and water conservation. Approximately 12 acres of the campus produces crops including fruit, vegetables, herbs, spices, a mushroom farm, hothouse, and enough corn to feed 150 pigs. They have a composting facility, utilize natural pesticides and herbicides, and have a 1.5 million gallon capacity water reservoir. Their fish farm is estimated to produce 2,500-4,000 kilos of fish per year.

ZOE's Transitional Home program in Thailand supports ZOE young adults, 18 years and over, while they complete their high school education, vocational training, university degree, or obtain suitable employment. ZOE may even offer financial assistance to these young people.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

ZOE's two-year Leadership Academy produces educated graduates with strong biblical literacy, an understanding of leadership and business principles, adequate command of English and Thai speech, and ability to articulate human trafficking issues, particularly with respect to the exploitation of children.

In 2017, ZOE opened a 40,000 square foot state-of-the-art Child Rescue Center in Thailand covering 2.5 acres of their campus. It serves as a specialized site where representatives from law enforcement, government, and nongovernmental organizations work together to identify and serve victims of child trafficking, including sheltering rescued children. The Center provides trauma-informed care, education, vocational training, and life skills preparation.

In 2016, ZOE purchased a 50-acre parcel of land in Los Angeles County and is constructing the Los Angeles ZOE Home for Youth for survivors of human trafficking. ZOE supports the County of Los Angeles Department of Children and Family Services in a variety of ways. ZOE supplies resources, gifts and assists in coordinating events for the trafficked children served by the County, as well as conducts human trafficking awareness and prevention events that provide information throughout the County. ZOE provides engagement activities at a shelter to girls who are at risk or have been trafficked. These include trauma informed, arts-based activities teaching life skills and positive strategies to respond to life challenges.

In 2017, ZOE added key leadership positions in the Los Angeles office, which included a Western USA Regional Director, Assistant Western USA Regional Director, and Manager of Educational programs. Their education and experience provide high quality services to youth who have experienced complex trauma and trafficking. A Chief Operating Officer was added to the executive leadership team in 2018.

**Significant Accounting Policies**

Consolidation

The accounts, results of operations and cash flows of ZOE and ZOE International Foundation (collectively referred to as "ZOE") have been consolidated in these financial statements pursuant to FASB *Accounting Standards Codification 958 Not-for-Profit Entities*. Topic 958 dictates consolidation when one not-for-profit entity has both control over, and an economic interest in, another not-for-profit entity. Intercompany accounts and transactions have been eliminated in consolidation.

The financial statements consolidated the accounts, results of operations and cash flows of ZOE Foundation Australia and ZOE Japan with those of ZOE. ZOE has substantial economic interest in the activities of ZOE Foundation Australia ("ZFA") and ZOE Japan, benefitting from both financial resources and front line

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

personnel. Topic 958 encourages consolidation when one organization has an economic interest, and control that does not result from a majority voting interest, as in the present relationships. Intercompany transactions have been eliminated in consolidation.

Foreign Currency Translation

Assets and liabilities of foreign operations, where the local currency is the functional currency, have been translated at year-end exchange rates and statement of activity accounts have been translated using weighted average yearly exchange rates, as permitted by Financial Accounting Standards Board in FASB *Accounting Standards Codification 830, Foreign Currency Matters*. Adjustments resulting from translation have been recorded as a component of unrestricted net assets.

Method of Accounting

The accompanying consolidated and combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB *Accounting Standards Codification 958, Not-for-Profit Entities*. Under Topic 958, ZOE is required to report information regarding the nature and amount of its net assets.

In August 2016, FASB published ASU No. 2016-14, which changes the presentation and disclosures in not-for-profit financial reporting. The statement of financial position is required to present two classes of net assets rather than the formerly required three classes. The statement of activities is required to present the amount of change in each of the two classes of net assets rather than the formerly required three classes.

The Update requires enhanced disclosures about:

- a) Board designations that result in self-imposed limits on the use of resources.
- b) Net assets with donor restrictions.
- c) Qualitative and quantitative information regarding the availability of the corporations liquid resources to meet cash needs within one year of the statement of position date.
- d) Present expenses by both their natural and functional classifications.

Cash and Cash Equivalents

ZOE considers all highly liquid investments with an original maturity of three

ZOE International, ZOE Foundation Australia and ZOE Japan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued  
months or less to be cash equivalents. At December 31, 2018 and 2017 there were no cash equivalents.

Property, Plant, and Equipment

Property, plant, and equipment purchases of \$1,000 or more are capitalized and depreciated on a straight-line basis over their estimated lives (3-30 years). Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

The cost of assets sold or retired and the related amount of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting profit or loss is reflected in the statement of activities.

Valuation of Long-Lived Assets

The valuation of long-lived assets is accounted for under the Financial Accounting Standards Board in FASB *Accounting Standards Codification 360, Property, Plant, and Equipment*. Topic 360 establishes standards for recognizing and measuring impairment of long-lived assets including property and equipment. Assets subject to the provisions of Topic 360 are reviewed for impairment and, if such impairment is identified, written down to their fair value. Identified impairment losses are charged to operations in the statement of activities.

Contributions

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, fund-raising, and management and general, based on the purpose of goods used and services provided or the amount of time spent in those activities. ZOE, ZFA and ZOE Japan have adopted FASB *Accounting Standards Codification 958, Not-for-Profit Entities*. Their policy is to report all joint costs, as defined by Topic 958, as fundraising expenses.

ZOE International, ZOE Foundation Australia and ZOE Japan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Income Taxes

ZOE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (per determination letter dated March 23, 2007) and state franchise taxes under California Section 23701d (per determination letter dated January 4, 2006). ZFA is exempt from Australian income tax under Division 50 of the Income Tax Assessment Act. ZOE Japan is exempt from Japanese income tax pursuant to the 2017 Corporation Tax Act of Japan consideration of domestic public interest corporations. ZOE and ZFA did not generate any unrelated business taxable income during the years ended December 31, 2018 and 2017, therefore there is no provision for income or franchise taxes in the accompanying consolidated and combined financial statements. The corporation is no longer subject to examination by the Internal Revenue Service for years ended before December 31, 2015 and the California Franchise Tax Board for years ended before December 31, 2014.

Use of Estimates

The preparation of consolidated and combined 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 contingent assets and liabilities (e.g., depreciation and potential impairments to fixed assets) at the date of the financial statements, and the reported amounts of revenues and expenses (e.g., the fair value of non-cash contributions received) during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through July 26, 2019, the date the financial statements were available to be issued.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE B - CONCENTRATION OF CREDIT RISK

ZOE, ZFA and ZOE Japan maintain most of their cash in commercial bank accounts in the United States, Australia, Japan and Thailand. The United States funds exceeded insured limits by \$2,806,278 as of December 31, 2018. ZOE holds a fixed deposit account earning interest at 2.95%, and maturing on July 4, 2021. The Thai deposits exceed insured limits by \$951,338 (30,908,985 baht), in addition to cash on hand. ZFA holds a term deposit earning 2.4% interest and maturing on June 11, 2019. The organization has not experienced any losses in these foreign funds aside from those resulting from changes in the currency

ZOE International, ZOE Foundation Australia and ZOE Japan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE B - CONCENTRATION OF CREDIT RISK - continued

exchange rates. Funds in the Australian bank are not insured. ZOE and ZFA believe they are not exposed to any significant credit risk related to cash. ZOE Japan funds are within insured limits.

Cash consists of the following accounts:

	<u>2018</u>	<u>2017</u>
United States		
Checking accounts	\$2,606,957	\$1,846,280
Savings account	426,008	246,182
Undeposited funds and petty cash	174,432	90,284
Thailand		
Checking account	970,786	1,040,653
Savings account	5,696	3,542
Cash on hand	29,953	20,016
Australia		
Checking account	49,348	102,102
Japan		
Savings accounts	<u>21,132</u>	<u>22,521</u>
	\$4,284,312	\$3,371,580
	=====	=====

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the ZOE's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of its nature, board designated uses, and donor restrictions within one year of the statement of financial position date.

Financial assets at year-end	\$4,345,093
Less those unavailable for general expenditures within one year, due to:	
Donor restrictions	2,604,093
Maturity dates	<u>60,781</u>
Financial assets available to meet cash needs for general expenditure within one year	\$1,680,219
	=====

ZOE monitors its cash position monthly and forecasts cash flow of support, expenses, and capital expenditures to assess cash needs currently and for the following year.

ZOE International, ZOE Foundation Australia and ZOE Japan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE D - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,421,185	\$ 1,239,765
Construction in progress	449,844	532,313
Buildings	3,624,008	3,335,527
Furniture and equipment	518,590	460,974
Vehicles	<u>305,554</u>	<u>271,149</u>
	6,319,181	5,839,728
Less accumulated depreciation	<u>(1,121,197)</u>	<u>(911,515)</u>
Property, plant, and equipment, net	\$ 5,197,984	\$ 4,928,213
	=====	=====

NOTE E - LEASE COMMITMENT

ZOE leases office space in Newhall, California. The lease is for five years, commencing on December 1, 2018 with initial monthly payments of \$11,950. The lease provides for annual rent increases of five percent. The lease also grants an option to extend the term of the lease for an additional five year period. Rent expense for this office was \$11,950 in 2018. Estimated future minimum rentals over the remaining lease term are:

2019	\$144,000
2020	151,225
2021	158,760
2022	166,710
2023	<u>159,775</u>
Total Minimum Future rentals	\$780,470
	=====

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Twenty-seven percent of total net assets at December 31, 2018 have donor restrictions that limit expenditures to building a child rescue center and children's home in Los Angeles, missionary support, mercy networks, short-term mission teams, and ZOE Japan support.

ZOE International, ZOE Foundation Australia and ZOE Japan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE G - CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT

The cumulative foreign currency translation adjustment included in net assets without donor restrictions is shown as of December 31:

	<u>2018</u>	<u>2017</u>
Beginning cumulative translation		
adjustment gains (losses)	\$ 276,991	\$ (219,888)
Foreign currency translation gain (loss)	<u>(32,597)</u>	<u>496,879</u>
Ending cumulative translation		
adjustment gains (losses)	<u>\$ 244,394</u>	<u>\$ 276,991</u>

NOTE H - NON-CASH CONTRIBUTIONS

ZOE receives clothing, medical supplies, equipment and other materials for use in its programs and fundraising efforts. Such non-cash contributions are recorded at their estimated fair market value at the date of donation.

ZOE is also the recipient of many hours of donated services from its supporters participating in short-term missions trips or performing general and administrative activities. The value of their contributed hours is not included in revenues since their services do not meet the Financial Accounting Standards Board criteria for recognition in FASB *Accounting Standards Codification 958, Not-for-Profit Entities*. However Topic 958 does require the recognition of specialized skills that would need to be purchased if they were not donated.

NOTE I - FEDERAL GRANT

ZOE is the recipient of a federal grant to enhance the quality and range of existing comprehensive recovery services for child trafficking victims in Thailand with a special focus on migrant populations and tribal communities. The grant will assist ZOE's efforts to provide physical security, as well as educational and vocational skills to reduce victim vulnerability to trafficking and re-trafficking. The grant will provide \$500,000 and ZOE will be responsible for another \$167,000 of project costs. The grant term ends September 30, 2017.

NOTE J - RELATED PARTY TRANSACTIONS

ZOE leases space on a month-to-month basis from The Tani Family Trust for storage in Santa Clarita, California. ZOE's president and the wife of ZOE's vice president are both beneficiaries of the Trust, and the latter is the trustee. ZOE incurred storage rent expense of \$3,600 and \$28,800, in 2018 and 2017, respectively. ZOE also entered into a one year sublease agreement on November 1, 2017 for office space in Newhall, California. The sublessor is a church whose pastor is also a ZOE board member. The sublet office rent expense was \$27,810 in 2018 and \$34,200 in 2017.



SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
ZOE International

I have audited the consolidated financial statements of ZOE International, ZOE Foundation Australia and ZOE Japan, as of and for the years ended December 31, 2018 and 2017, and my report thereon dated July 26, 2019, which expressed an unmodified opinion on those financial statements, appears on page 3. My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I through IV are presented for purposes of additional analysis of the consolidated financial statements and it is not a required part of the consolidated financial statements. The Schedules V and VI of functional expenses and Schedules of VII and VIII of changes in fixed assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information, which insofar as it relates to ZOE Foundation Australia, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Manhattan Beach, California  
July 26, 2019

ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE I: CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
Year Ended December 31, 2018

	ZOE International	ZOE Foundation Australia	ZOE Japan	CONSOLIDATED
<b>ASSETS</b>				
Current assets:				
Cash	\$ 4,213,832	\$ 49,348	\$ 21,132	\$ 4,284,312
Prepaid expenses	\$ 12,396	\$ -	\$ -	12,396
Total current assets	4,226,228	49,348	21,132	4,296,708
Fixed and term deposit accounts	8,025	52,756	-	60,781
Property, plant, and equipment, net of accumulated depreciation	5,197,984	-	-	5,197,984
Deposit	11,950	-	-	11,950
Total assets	<u>\$ 9,444,187</u>	<u>\$ 102,104</u>	<u>\$ 21,132</u>	<u>\$ 9,567,423</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 29,115	\$ 4,714	\$ 431	\$ 34,260
Total current liabilities	<u>29,115</u>	<u>4,714</u>	<u>431</u>	<u>34,260</u>
Total liabilities	29,115	4,714	431	34,260
Net assets:				
Net assets without donor restrictions	6,810,979	97,390	20,701	6,929,070
Net assets with donor restrictions:				
Missionary support	459,841	-	-	459,841
Children's homes - Los Angeles	7,352	-	-	7,352
Building funds - Los Angeles	2,052,262	-	-	2,052,262
Other	84,638	-	-	84,638
Total net assets with donor restrictions	<u>2,604,093</u>	<u>-</u>	<u>-</u>	<u>2,604,093</u>
Total net assets	<u>9,415,072</u>	<u>97,390</u>	<u>20,701</u>	<u>9,533,163</u>
Total liabilities and net assets	<u>\$ 9,444,187</u>	<u>\$ 102,104</u>	<u>\$ 21,132</u>	<u>\$ 9,567,423</u>

ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE II: CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
Year Ended December 31, 2017

	ZOE International	ZOE Foundation Australia	ZOE Japan	CONSOLIDATED
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,246,957	\$ 102,102	\$ 22,521	\$ 3,371,580
Total current assets	3,246,957	102,102	22,521	3,371,580
Fixed deposit account	7,817	-	-	7,817
Property, plant, and equipment, net of accumulated depreciation	4,928,213	-	-	4,928,213
Total assets	\$ 8,182,987	\$ 102,102	\$ 22,521	\$ 8,307,610
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 28,735	\$ 6,011	\$ 392	\$ 35,138
Total current liabilities	28,735	6,011	392	35,138
Total liabilities	28,735	6,011	392	35,138
Net assets:				
Net assets without donor restrictions	6,204,949	96,091	22,129	6,323,169
Net assets with donor restrictions:				
Missionary support	404,394	-	-	404,394
Children's homes - Los Angeles	11,868	-	-	11,868
Building funds - Los Angeles	1,294,704	-	-	1,294,704
Building funds - Thailand	153,905	-	-	153,905
Other	84,432	-	-	84,432
Total net assets with donor restrictions	1,949,303	-	-	1,949,303
Total net assets	8,154,252	96,091	22,129	8,272,472
Total liabilities and net assets	\$ 8,182,987	\$ 102,102	\$ 22,521	\$ 8,307,610

ZOE International, ZOE Foundation Australia and ZOE Japan

SCHEDULE III: CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	ZOE Internation- al	ZOE Foundation Australia	ZOE Japan	Elimina- tion	CONSOLIDATED
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
Unrestricted support and revenue					
Contributions	\$ 1,577,555	\$ 249,892	\$ 63,817	\$ (273,164)	\$1,618,100
Merchandise sales	3,139	224		-	3,363
Other	1,401	840	1	-	2,242
Total unrestricted support and revenue					
before release of restricted net assets	1,582,095	250,956	63,818	(273,164)	1,623,705
Net assets released from donor restrictions					
Restrictions satisfied by payments	2,254,520	127,561	20,172	-	2,402,253
Total unrestricted support and revenue	3,836,615	378,517	83,990	(273,164)	4,025,958
Expenses					
Program services	2,402,361	344,834	57,222	(273,164)	2,531,253
Supporting services					
Fundraising	183,645	3,948	-	-	187,593
Management and general	621,507	18,329	28,778	-	668,614
Total expenses	3,207,513	367,111	86,000	(273,164)	3,387,460
Increase in net assets without donor restrictions	629,102	11,406	(2,010)	-	638,498
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions	2,909,310	127,561	20,172	-	3,057,043
Grants	-	-	-	-	-
Net assets released from donor restrictions					
Restrictions satisfied by payments	(2,254,520)	(127,561)	(20,172)	-	(2,402,253)
Increase in net assets with donor restrictions	654,790	-	-	-	654,790
Increase (decrease) in net assets	1,283,892	11,406	(2,010)	-	1,293,288
Net assets, beginning of year	8,154,252	96,091	22,129	-	8,272,472
Foreign currency translation gain (loss)	(23,072)	(10,107)	582	-	(32,597)
Net assets, end of year	\$ 9,415,072	\$ 97,390	\$ 20,701	\$ -	\$9,533,163

ZOE International, ZOE Foundation Australia and ZOE Japan

SCHEDULE IV: CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	ZOE Internation- al	ZOE Foundation Australia	ZOE Japan	Elimina- tion	CONSOLIDATED
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
Unrestricted support and revenue					
Contributions	\$ 788,442	\$ 129,562	\$ 55,197	\$ (127,706)	\$ 845,495
Merchandise sales	3,642	2,645		-	6,287
Other	929	256	-	-	1,185
Total unrestricted support and revenue before release of restricted net assets	793,013	132,463	55,197	(127,706)	852,967
Net assets released from donor restrictions					
Restrictions satisfied by payments	2,869,329	110,314	-	-	2,979,643
Total unrestricted support and revenue	3,662,342	242,777	55,197	(127,706)	3,832,610
Expenses					
Program services	2,320,688	195,975	20,810	(122,706)	2,414,767
Supporting services					
Fundraising	90,760	2,503	33	-	93,296
Management and general	484,501	14,645	12,121	(5,000)	506,267
Total expenses	2,895,949	213,123	32,964	(127,706)	3,014,330
Increase in net assets without donor restrictions	766,393	29,654	22,233	-	818,280
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions	3,204,064	107,486	-	-	3,311,550
Grants	276,409	-	-	-	276,409
Net assets released from donor restrictions					
Restrictions satisfied by payments	(2,869,329)	(110,314)	-	-	(2,979,643)
Increase in net assets with donor restrictions	611,144	(2,828)	-	-	608,316
Increase (decrease) in net assets	1,377,537	26,826	22,233	-	1,426,596
Net assets, beginning of year	6,285,654	63,343	-	-	6,348,997
Foreign currency translation gain (loss)	491,061	5,922	(104)	-	496,879
Net assets, end of year	\$ 8,154,252	\$ 96,091	\$ 22,129	\$ -	\$ 8,272,472

ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE V: CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>Humanitarian</u>	<u>Fundraising</u>	<u>Management and General</u>	
Missionary salaries	\$ 608,866	\$ 128,329	\$ 172,582	\$ 909,777
Accounting and professional services	25,323	-	46,743	72,066
Conference and meetings	8,082	7,107	13,365	28,554
Contributions and support	8,663	-	11,900	20,563
Depreciation	200,895	-	8,787	209,682
Education and vocational training	36,511	-	6,615	43,126
Equipment, repairs and maintenance	25,714	341	56,132	82,187
Finance and business expense	16,972	3,280	42,441	62,693
Gifts	108,006	1,107	14,369	123,482
Marketing	1,610	19,336	47,335	68,281
Meals and food	99,510	-	29	99,539
Medical	19,640	-	147	19,787
Occupancy	85,785	305	52,447	138,537
Office Supplies	3,412	153	17,375	20,940
Other	8,969	458	47	9,474
Postage	649	218	16,132	16,999
Printing	5,083	2,010	11,954	19,047
Relief and aid	36,862	-	-	36,862
Salaries, benefits and payroll taxes	993,705	15,114	33,750	1,042,569
Transportation	67,019	2,207	11,905	81,131
Travel	169,977	7,628	104,559	282,164
	<u>2,531,253</u>	<u>187,593</u>	<u>668,614</u>	<u>3,387,460</u>
Total	\$ <u>2,531,253</u>	\$ <u>187,593</u>	\$ <u>668,614</u>	\$ <u>3,387,460</u>

ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE VI: CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>Humanitarian</u>	<u>Fundraising</u>	<u>Management and General</u>	
Missionary salaries	\$ 945,362	\$ 14,799	\$ 18,672	\$ 978,833
Accounting and professional services	37,791	-	86,336	124,127
Conference and meetings	27,149	400	9,123	36,672
Contributions and support	5,335	-	11,008	16,343
Depreciation	168,718	-	7,812	176,530
Donated supplies	-	-	270	270
Education and vocational training	81,092	-	6,223	87,315
Equipment, repairs and maintenance	135,973	-	27,179	163,152
Finance and business expense	17,473	3,215	28,191	48,879
Gifts	109,558	-	6,794	116,352
Marketing	2,261	3,256	47,202	52,719
Meals and food	82,318	-	-	82,318
Medical	16,425	-	325	16,750
Occupancy	70,311	-	48,799	119,110
Office Supplies	3,050	47	8,008	11,105
Other	16,328	-	393	16,721
Postage	841	135	11,342	12,318
Printing	4,026	204	17,507	21,737
Relief and aid	33,762	-	-	33,762
Salaries, benefits and payroll taxes	482,518	70,422	87,614	640,554
Transportation	57,700	68	12,118	69,886
Travel	116,776	750	71,351	188,877
<b>Total</b>	<b>\$ 2,414,767</b>	<b>\$ 93,296</b>	<b>\$ 506,267</b>	<b>\$ 3,014,330</b>



ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE VII: CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS  
Year Ended December 31, 2018

	Balance December 31, 2017	Additions	Retirements & Reclass	Translation Gain/(Loss)	Balance December 31, 2018
<b>THAILAND</b>					
Land	\$ 647,382	\$ 180,324	\$ -	\$ 1,096	\$ 828,802
Construction in progress	224,911	33,899	(259,365)	555	-
Buildings	3,335,527	281,028	-	7,453	3,624,008
Furniture and equipment	413,396	36,330	-	747	450,473
Vehicles	271,149	34,326	-	79	305,554
<b>Total Thailand</b>	<u>4,892,365</u>	<u>565,907</u>	<u>(259,365)</u>	<u>9,930</u>	<u>5,208,837</u>
<b>UNITED STATES</b>					
Land	592,383	-	-	-	592,383
Construction in progress	307,402	142,442	-	-	449,844
Furniture and equipment	47,578	20,539	-	-	68,117
<b>Total United States</b>	<u>947,363</u>	<u>162,981</u>	<u>-</u>	<u>-</u>	<u>1,110,344</u>
	<u>\$ 5,839,728</u>	<u>\$ 728,888</u>	<u>\$ (259,365)</u>	<u>\$ 9,930</u>	<u>\$ 6,319,181</u>
<b>ACCUMULATED DEPRECIATION</b>					
Buildings	\$ 390,510	\$ 112,970	\$ -	\$ -	\$ 503,480
Furniture and equipment	300,569	80,272	-	-	380,841
Vehicles	220,436	16,440	-	-	236,876
	<u>\$ 911,515</u>	<u>\$ 209,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,197</u>

ZOE International, ZOE Foundation Australia and ZOE Japan  
SCHEDULE VIII: CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS  
Year Ended December 31, 2017

	Balance December 31, 2016	Additions	Retirements & Reclass	Translation Gain/(Loss)	Balance December 31, 2017
<b>THAILAND</b>					
Land	\$ 589,999	\$ -	\$ -	\$ 57,383	\$ 647,382
Construction in progress	1,033,467	500,615	(1,370,593)	61,422	224,911
Buildings	1,712,944	1,392,922	-	229,661	3,335,527
Furniture and equipment	285,645	102,127	-	25,624	413,396
Vehicles	264,898	-	-	6,251	271,149
<b>Total Thailand</b>	<u>3,886,953</u>	<u>1,995,664</u>	<u>(1,370,593)</u>	<u>380,341</u>	<u>4,892,365</u>
<b>UNITED STATES</b>					
Land	592,383	-	-	-	592,383
Construction in progress	33,232	274,170	-	-	307,402
Furniture and equipment	39,799	7,779	-	-	47,578
<b>Total United States</b>	<u>665,414</u>	<u>281,949</u>	<u>-</u>	<u>-</u>	<u>947,363</u>
	<u>\$ 4,552,367</u>	<u>\$ 2,277,613</u>	<u>\$ (1,370,593)</u>	<u>\$ 380,341</u>	<u>\$ 5,839,728</u>
<b>ACCUMULATED DEPRECIATION</b>					
Buildings	\$ 305,452	\$ 85,058	\$ -	\$ -	\$ 390,510
Furniture and equipment	224,867	75,702	-	-	300,569
Vehicles	204,666	15,770	-	-	220,436
	<u>\$ 734,985</u>	<u>\$ 176,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 911,515</u>