

VisionTrust International, Inc.

(a nonprofit Colorado corporation)

Colorado Springs, Colorado

Financial Statements

December 31, 2017 and 2016

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 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, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Altruic Advisors, PLLC

Certified Public Accountants

Colorado Springs, Colorado
May 17, 2018

VisionTrust International, Inc.

Statements of Financial Position

December 31	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 315,451	\$ 785,941
Investments	125,061	129,627
Prepaid expenses and other current assets	54,127	146,160
Total current assets	<u>494,639</u>	<u>1,061,728</u>
Property and Equipment, net	<u>1,534,253</u>	<u>1,649,194</u>
Total assets	<u>\$ 2,028,892</u>	<u>\$ 2,710,922</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 5,893
Accrued compensation and benefits	2,563	25,891
Other accrued expenses and deposits	13,763	24,784
Deferred revenue	-	2,110
Capital lease obligations, current portion	2,154	1,981
Notes payable, current portion	51,720	49,438
Total current liabilities	<u>70,200</u>	<u>110,097</u>
Long-Term Liabilities		
Capital lease obligations, net of current portion	5,522	7,675
Notes payable, net of current portion	875,166	924,865
Total long-term liabilities	<u>880,688</u>	<u>932,540</u>
Total liabilities	<u>950,888</u>	<u>1,042,637</u>
Net Assets		
Unrestricted		
Undesignated	(211,222)	203,200
Board-designated	20,710	20,710
Equity in property and equipment	599,691	665,235
Total unrestricted net assets	<u>409,179</u>	<u>889,145</u>
Temporarily restricted	668,825	779,140
Total net assets	<u>1,078,004</u>	<u>1,668,285</u>
Total liabilities and net assets	<u>\$ 2,028,892</u>	<u>\$ 2,710,922</u>

The accompanying Notes are an integral part of these financial statements

VisionTrust International, Inc.

Statement of Activities

Year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Support			
Contributions and grants	\$ 3,543,201	\$ 2,741,399	\$ 6,284,600
Contributed goods and services	364,705	-	364,705
Net assets released from restrictions	2,851,714	(2,851,714)	-
Total support	<u>6,759,620</u>	<u>(110,315)</u>	<u>6,649,305</u>
Revenue			
Rental income	88,440	-	88,440
Other income	1,573	-	1,573
Investment income, net	13,501	-	13,501
Total revenue	<u>103,514</u>	<u>-</u>	<u>103,514</u>
Total support and revenue	<u>6,863,134</u>	<u>(110,315)</u>	<u>6,752,819</u>
Functional Expenses and Loss			
Functional Expenses			
Program services	6,228,630	-	6,228,630
Supporting services			
General and administrative	784,336	-	784,336
Fundraising	325,088	-	325,088
Total functional expenses	<u>7,338,054</u>	<u>-</u>	<u>7,338,054</u>
Loss			
Loss on disposal of property and equipment	<u>5,046</u>	<u>-</u>	<u>5,046</u>
Total functional expenses and loss	<u>7,343,100</u>	<u>-</u>	<u>7,343,100</u>
Change in Net Assets	(479,966)	(110,315)	(590,281)
Net Assets, Beginning of Year	<u>889,145</u>	<u>779,140</u>	<u>1,668,285</u>
Net Assets, End of Year	<u>\$ 409,179</u>	<u>\$ 668,825</u>	<u>\$ 1,078,004</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			
Support			
Contributions and grants	\$ 2,887,608	\$ 3,873,971	\$ 6,761,579
Contributed goods and services	690,205	-	690,205
Net assets released from restrictions	3,789,659	(3,789,659)	-
Total support	<u>7,367,472</u>	<u>84,312</u>	<u>7,451,784</u>
Revenue			
Rental income	88,539	-	88,539
Other income	6,097	-	6,097
Investment income, net	13,740	-	13,740
Total revenue	<u>108,376</u>	<u>-</u>	<u>108,376</u>
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	<u>261</u>	<u>-</u>	<u>261</u>
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 Functional Expenses

Year ended December 31, 2017

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,133,539	\$ 419,830	\$ 125,949	\$ 1,679,318
Employee benefits	162,009	67,745	18,646	248,400
Payroll taxes	73,081	26,251	7,176	106,508
Total personnel costs	1,368,629	513,826	151,771	2,034,226
Program ministries	3,308,987	-	-	3,308,987
Travel	1,003,538	18,366	68,462	1,090,366
Depreciation	143,391	48,828	21,875	214,094
Consulting and other contracted services	130,700	30,075	39,942	200,717
Computer and software	86,063	27,975	11,425	125,463
Supplies and maintenance	19,746	40,754	5,842	66,342
Bank and credit card fees	-	47,114	-	47,114
Interest	27,089	10,171	8,433	45,693
Marketing and printing	35,307	-	1,772	37,079
Insurance	22,938	3,389	1,480	27,807
Telecommunications	16,640	8,479	2,462	27,581
Miscellaneous expenses	17,861	6,694	2,267	26,822
Postage	16,532	5,813	1,373	23,718
Utilities	11,721	4,142	1,745	17,608
Legal and professional fees	2,071	13,091	262	15,424
Equipment rent	10,193	3,168	1,344	14,705
Dues, subscriptions and fees	6,593	2,441	4,533	13,567
Advertising	631	10	100	741
Total expenses	\$ 6,228,630	\$ 784,336	\$ 325,088	\$ 7,338,054

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	1,391,941	529,359	199,929	2,121,229
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	\$ 6,359,144	\$ 799,597	\$ 285,628	\$ 7,444,369

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	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (590,281)	\$ 115,530
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	214,094	175,469
Amortization of debt issuance costs	1,266	1,266
Net realized and unrealized gain on investments	(9,828)	(8,781)
Loss on disposal of property and equipment	5,046	261
Increase (decrease) from changes in assets and liabilities		
Prepaid expenses and other current assets	92,033	(80,601)
Accounts payable	(5,893)	5,893
Accrued compensation and benefits	(23,328)	(6,945)
Other accrued expenses and deposits	(11,021)	(4,590)
Deferred revenue	(2,110)	2,110
Net cash provided (used) by operating activities	(330,022)	199,612
Cash Flows From Investing Activities		
Purchases of investments	(44,793)	(58,783)
Proceeds from sale of investments	59,187	76,731
Purchases of property and equipment	(104,199)	(105,317)
Proceeds from sale of property and equipment	-	100,000
Net cash provided (used) by investing activities	(89,805)	12,631
Cash Flows From Financing Activities		
Principal payments on capital lease	(1,980)	(1,044)
Principal payments on notes payable	(48,683)	(46,717)
Net cash used by financing activities	(50,663)	(47,761)
Net Increase (Decrease) in Cash and Cash Equivalents	(470,490)	164,482
Cash and Cash Equivalents, Beginning of Year	785,941	621,459
Cash and Cash Equivalents, End of Year	\$ 315,451	\$ 785,941
Supplemental Information		
Cash paid for interest	\$ 44,427	\$ 46,928
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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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.

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, 2017 and 2016.

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. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition.

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.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

The Organization is subject to unrelated business income tax on its rental income. As of December 31, 2017, the Organization has incurred a net operating loss carryforward of approximately \$53,000. 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.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$741 and \$4,746, 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.

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 17, 2018, 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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
Domestic common stock	\$ 58,574	\$ -	\$ -	\$ 58,574
Domestic preferred stock	13,669	-	-	13,669
Mutual funds				
High yield bond funds	34,852	-	-	34,852
Foreign large blend funds	9,830	-	-	9,830
Multisector bond funds	8,136	-	-	8,136
	<u>\$ 125,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,061</u>

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				
Fixed income funds	32,403	-	-	32,403
Large cap funds	8,596	-	-	8,596
International 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, 2017 and 2016

Note 2 – Fair Value Measurements (continued)

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2017 and 2016, there were no significant transfers in or out of fair value levels.

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 5,754	\$ 6,518
Net realized and unrealized gain on investments	<u>9,828</u>	<u>8,781</u>
	15,582	15,299
Investment fees	<u>(2,081)</u>	<u>(1,559)</u>
	<u>\$ 13,501</u>	<u>\$ 13,740</u>

Note 3 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 174,865	\$ 174,865
Building and improvements	1,553,256	1,549,804
Computer equipment and systems	722,779	689,631
Vehicles	75,738	75,738
Furniture and equipment	<u>73,541</u>	<u>73,541</u>
	2,600,179	2,563,579
Less accumulated depreciation	<u>(1,111,895)</u>	<u>(914,385)</u>
	1,488,284	1,649,194
Construction in progress	<u>45,969</u>	-
Net property and equipment	<u>\$ 1,534,253</u>	<u>\$ 1,649,194</u>

Depreciation expense totaled \$214,094 and \$175,469 for the years ended December 31, 2017 and 2016, respectively.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4 – Notes Payable

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

	<u>2017</u>	<u>2016</u>
Note payable to Independent Bank, interest at the Wall Street Journal Prime Rate plus 1.34% (effectively 4.59% as of December 31, 2017), monthly principal and interest payments of \$7,366 through December 2023, collateralized by the building and improvements and assignment of rents.	\$ 907,919	\$ 952,792
Note payable to Independent Bank, interest at the Wall Street Journal Prime Rate plus 1.34% (effectively 4.59% as of December 31, 2017), monthly principal and interest payments of \$429 through November 2023, collateralized by the building and improvements and assignment of rents.	26,550	30,359
Less unamortized debt issuance costs	(7,583)	(8,848)
	926,886	974,303
Less current portion	(51,720)	(49,438)
	<u>\$ 875,166</u>	<u>\$ 924,865</u>

Scheduled maturities of the long-term notes payable are as follows at December 31, 2017:

Year ended December 31	Notes Payable	Amortization of Debt Issuance Costs	Total
2018	\$ 51,720	\$ 1,266	\$ 50,454
2019	54,145	1,266	52,879
2020	56,683	1,266	55,417
2021	59,340	1,266	58,074
2022	62,122	1,266	60,856
Thereafter	650,459	1,253	649,206
	<u>\$ 934,469</u>	<u>\$ 7,583</u>	<u>\$ 926,886</u>

The Organization was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2017 and 2016.

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 \$3,388 at December 31, 2017.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 5 - Lease Commitments (continued)

Future minimum lease payments required under the noncancelable capital lease are as follows at December 31, 2017:

Year ended December 31	Amount
2018	\$ 2,388
2019	2,388
2020	2,388
2021	995
Total minimum lease payments	8,159
Less amount representing interest	(483)
	<u>\$ 7,676</u>

Operating Leases. The Organization leases equipment and software hosting services under multiple noncancelable operating leases, which expire from May 2018 through February 2020. Rent expense, including supplies and maintenance, under the leases totaled \$54,556 and \$51,668 for the years ended December 31, 2017 and 2016, respectively.

Future annual minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2017:

Year ended December 31	Total
2018	\$ 25,645
2019	5,604
2020	467
	<u>\$ 31,716</u>

The Organization leases out office units to multiple third parties under month-to-month operating leases. The leases require monthly minimum payments of \$6,903. Rental income under the short-term leasing arrangements, totaled \$88,440 and \$88,539 for the years ended December 31, 2017 and 2016, respectively.

Note 6 – Board-designated Net Assets

The Board of Directors has designated \$20,710 of unrestricted net assets for the Taylor Fund at December 31, 2017 and 2016. These funds are internally imposed designations and are recorded as unrestricted net assets.

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds restricted to the following purposes for the year ended December 31, 2017:

	January 1, 2017	Additions	Releases	December 31, 2017
Brazil	\$ 1,845	\$ 46,140	\$ (44,358)	\$ 3,627
Central African Republic	39,388	148,080	(140,530)	46,938
Dominican Republic	84,248	782,998	(820,186)	47,060
Guatemala	25,431	365,788	(365,458)	25,761
Haiti	24,369	80,948	(92,366)	12,951
Liberia	271,149	309,472	(438,772)	141,849
Malawi	10,400	34,096	(31,213)	13,283
Myanmar	33,684	31,173	(45,290)	19,567
Nepal	10,000	148,311	(84,354)	73,957
Peru	5,974	81,763	(70,265)	17,472
Sierra Leone	-	25,922	(24,393)	1,529
Tanzania	35,520	81,700	(80,594)	36,626
Thailand	3,244	57,245	(58,225)	2,264
Togo	3,000	41,972	(37,905)	7,067
VisionTrust projects	176,774	329,007	(315,310)	190,471
Zimbabwe	54,114	176,784	(202,495)	28,403
	<u>\$ 779,140</u>	<u>\$ 2,741,399</u>	<u>\$ (2,851,714)</u>	<u>\$ 668,825</u>

Temporarily restricted net assets consist of funds restricted to the following purposes for the year ended December 31, 2016:

	January 1, 2016	Additions	Releases	December 31, 2016
Brazil	\$ 5,178	\$ 79,044	\$ (82,377)	\$ 1,845
Central African Republic	25,342	153,060	(139,014)	39,388
Dominican Republic	59,616	1,251,191	(1,226,559)	84,248
Guatemala	133,687	488,431	(596,687)	25,431
Haiti	1,925	145,395	(122,951)	24,369
India	19,115	241,886	(261,001)	-
Liberia	100,011	603,526	(432,388)	271,149
Malawi	11,788	54,354	(55,742)	10,400
Myanmar	36,491	86,280	(89,087)	33,684
Nepal	107,847	24,245	(122,092)	10,000
Peru	13,946	99,952	(107,924)	5,974
Sierra Leone	2,105	32,386	(34,491)	-
Tanzania	31,103	99,308	(94,891)	35,520
Thailand	-	98,645	(95,401)	3,244
Togo	478	40,024	(37,502)	3,000
VisionTrust projects	103,988	94,715	(21,929)	176,774
Zimbabwe	42,208	281,529	(269,623)	54,114
	<u>\$ 694,828</u>	<u>\$ 3,873,971</u>	<u>\$ (3,789,659)</u>	<u>\$ 779,140</u>

VisionTrust International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 8 - Contributed Goods and Services

Contributed goods and services are as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Medical and management services	\$ 300,496	\$ 218,297
Medical, school and other supplies	44,529	447,724
Software licenses	19,680	24,184
	<u>\$ 364,705</u>	<u>\$ 690,205</u>

Note 9 – 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 \$7,530 and \$28,472 to the plan for the years ended December 31, 2017 and 2016, respectively.

Note 10 – 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, 2017 and 2016. Claim payments based on actual claims ultimately filed could differ materially from these estimates.