

# **Light of Life Ministries, Inc. and Affiliate**

Consolidated Financial Statements  
and Supplementary Information

Years Ended September 30, 2018 and 2017  
with Independent Auditor's Report

**MaherDuessel**

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# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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## **Independent Auditor's Report**

**Board of Directors  
Light of Life Ministries, Inc.**

We have audited the accompanying consolidated financial statements of Light of Life Ministries, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, 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 Consolidated 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 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 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 consolidated financial position of Light of Life Ministries, Inc. and affiliate as of September 30, 2018 and 2017, 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.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is 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 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 our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
February 8, 2019

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>Assets</b>		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 543,848	\$ 376,694
Restricted cash, client accounts	18,581	14,449
Grants and accounts receivable	123,116	108,496
Loan receivable	-	150,385
Inventory	105,448	12,353
Prepaid expenses	176,454	169,818
Total current assets	967,447	832,195
Investments:		
Investments, at fair value	2,712,627	2,813,385
Certificates of Deposit	500,000	500,000
Total investments	3,212,627	3,313,385
Property at cost:		
Land	72,756	72,756
Buildings and improvements	3,107,924	3,077,634
Equipment	406,945	387,573
Vehicles	119,351	93,098
Construction in progress	519,751	267,242
Total property at cost	4,226,727	3,898,303
Less accumulated depreciation	1,785,541	1,662,038
Net property	2,441,186	2,236,265
<b>Total Assets</b>	<b>\$ 6,621,260</b>	<b>\$ 6,381,845</b>
<b>Liabilities and Net Assets</b>		
<hr/>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 189,869	\$ 172,621
Restricted cash, client accounts	18,581	14,449
Accrued payroll and payroll taxes	99,631	117,553
Total Liabilities	308,081	304,623
Net Assets:		
Unrestricted:		
Board-designated	1,001,264	1,063,161
Undesignated	5,298,515	5,001,140
Total unrestricted	6,299,779	6,064,301
Temporarily restricted net assets	13,400	12,921
Total Net Assets	6,313,179	6,077,222
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,621,260</b>	<b>\$ 6,381,845</b>

See accompanying notes to consolidated financial statements.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>Unrestricted Net Assets:</b>		
<hr/>		
Support and revenues:		
Contributions	\$ 5,445,343	\$ 5,017,806
Government grants and user fees	130,014	514,969
In-kind and food contributions	1,021,438	850,985
Special events	334,610	355,804
Program fees	17,360	11,521
Rental income	28,400	28,400
Interest income	43,129	114,390
Dividend income	4,300	24
Miscellaneous	1,902	8,295
Unrealized gain (loss) on investments	(13,724)	(51,401)
Released from restrictions	344,688	155,848
	<b>7,357,460</b>	<b>7,006,641</b>
Expenses:		
Program:		
Mission	5,155,217	4,917,011
Management and general	489,100	499,996
Fundraising	1,477,665	1,316,156
	<b>7,121,982</b>	<b>6,733,163</b>
<b>Change in Unrestricted Net Assets</b>	<b>235,478</b>	<b>273,478</b>
<b>Temporarily Restricted Net Assets:</b>		
<hr/>		
Grants/contributions	345,167	136,303
Net assets released from restrictions	(344,688)	(155,848)
<b>Change in Temporarily Restricted Net Assets</b>	<b>479</b>	<b>(19,545)</b>
<b>Change in Net Assets</b>	<b>235,957</b>	<b>253,933</b>
<b>Net Assets:</b>		
<hr/>		
Beginning of year	6,077,222	5,823,289
End of year	<b>\$ 6,313,179</b>	<b>\$ 6,077,222</b>

See accompanying notes to consolidated financial statements.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Totals	Mission Program	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 2,389,384	\$ 1,927,875	\$ 235,088	\$ 226,421
Benefits	717,529	575,723	73,576	68,230
Food	773,020	772,901	60	59
In-kind donation expense	261,345	261,345	-	-
Building and occupancy costs	410,554	398,477	7,226	4,851
Depreciation	123,503	113,270	5,785	4,448
Client costs	409,300	408,963	326	11
Insurance	60,628	53,243	4,956	2,429
Professional fees	25,441	3,108	22,333	-
Vehicle and travel	53,181	47,550	369	5,262
Telephone	64,729	52,013	5,940	6,776
Equipment	64,285	56,535	1,677	6,073
Supplies	44,911	40,545	2,536	1,830
Training	25,245	19,881	4,262	1,102
Postage	5,332	257	734	4,341
Direct mail	731,294	65,439	16,546	649,309
Contracted services	449,677	147,045	76,597	226,035
Advertising	95,757	556	50	95,151
Special events	95,813	-	-	95,813
Program donations	192,391	192,191	-	200
Miscellaneous	128,663	18,300	31,039	79,324
Total	<u>\$ 7,121,982</u>	<u>\$ 5,155,217</u>	<u>\$ 489,100</u>	<u>\$ 1,477,665</u>

See accompanying notes to consolidated financial statements.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	Totals	Mission Program	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 2,285,763	\$ 1,850,420	\$ 263,269	\$ 172,074
Benefits	686,589	547,187	76,390	63,012
Food	751,296	751,296	-	-
In-kind donation expense	161,617	161,617	-	-
Building and occupancy costs	352,821	342,875	6,651	3,295
Depreciation	94,919	84,659	5,353	4,907
Client costs	408,221	408,191	30	-
Insurance	49,503	42,419	5,552	1,532
Professional fees	33,997	16,532	17,465	-
Vehicle and travel	57,367	50,643	1,084	5,640
Telephone	65,853	54,584	5,430	5,839
Equipment	75,874	70,704	2,589	2,581
Supplies	49,830	46,702	1,758	1,370
Training	15,064	14,030	668	366
Postage	6,070	959	670	4,441
Direct mail	693,568	71,386	1,979	620,203
Contracted services	385,584	204,976	36,922	143,686
Advertising	73,020	-	640	72,380
Special events	91,604	93	-	91,511
Program donations	198,982	172,182	25,000	1,800
Miscellaneous	195,621	25,556	48,546	121,519
<b>Total</b>	<b>\$ 6,733,163</b>	<b>\$ 4,917,011</b>	<b>\$ 499,996</b>	<b>\$ 1,316,156</b>

See accompanying notes to consolidated financial statements.



# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 235,957	\$ 253,933
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	123,503	94,919
Net unrealized (gain) loss on investments	13,724	51,401
Accrued interest receivable	-	(770)
Change in:		
Grants and accounts receivable	(14,620)	16,174
Pledges receivable	-	82,860
Inventory	(93,095)	2,554
Prepaid expenses	(6,636)	11,755
Accounts payable	17,248	55,375
Accrued payroll and payroll taxes	(17,922)	51,527
Total adjustments	22,202	365,795
Net cash provided by (used in) operating activities	258,159	619,728
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(2,736,855)	(923,215)
Sale of investments	2,823,889	815,656
Receipt of loan receivable	150,385	-
Purchase of property, equipment, and improvements	(328,424)	(348,684)
Net cash provided by (used in) investing activities	(91,005)	(456,243)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	167,154	163,485
<b>Cash and Cash Equivalents:</b>		
Beginning of year	376,694	213,209
End of year	\$ 543,848	\$ 376,694

See accompanying notes to consolidated financial statements.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### 1. Organization

Light of Life Ministries, Inc. was incorporated in 1952 as a faith-based Non-Profit Pennsylvania Corporation to provide food for the hungry, shelter for the homeless, and life transforming recovery services to people in need who desire to change their lives. Programs and services include counseling, job and life skills training, recovery courses, referrals for mental health care, and other supportive services. Light of Life Ministries, Inc.'s mission is to act as caregiver, advocate, and leader on behalf of the poor, hungry, and homeless in Greater Pittsburgh, and to serve as the region's organization of choice for urban mission work. As part of the mission, Light of Life Ministries, Inc. believes all citizens need to be made aware of the plight of the hungry, homeless, and troubled people of the area. Light of Life Ministries, Inc. is supported primarily by donor contributions and government grantors located in Southwestern Pennsylvania.

L2 Community Support (L2CS) is a nonprofit publicly supported, charitable corporation incorporated under the laws of the Commonwealth of Pennsylvania. L2CS began operations in July 2016. L2CS is governed by a five-member Board of Directors. The Board of Directors is appointed by a majority of the Board of Directors of Light of Life Ministries, Inc, a Pennsylvania Nonprofit Corporation, and no member may serve on the Board of Directors without being so appointed. Light of Life is considered a separate, but related nonprofit and is considered to have a controlling financial interest in L2CS as a result of its ability to appoint all of the Board of Directors of L2CS. L2CS services the needs of the poor and homeless by providing emergency shelter, housing, and residential services to the homeless and persons with chronic mental illness. Residential services include, but are not limited to, teaching and assisting eligible individuals how to live independently in the community, how to prepare meals, budget money, and manage medications. Light of Life Ministries, Inc. provides services and rental space to L2CS so it can conduct its charitable activities, and all budgetary arrangements between the two organizations are overseen and approved by Allegheny County, Pennsylvania.

The September 30, 2018 and 2017 consolidated financial statements of Light of Life Ministries, Inc. and Affiliate (Corporation) include the following corporations: Light of Life Ministries, Inc. and L2CS. During the years ended September 30, 2018 and 2017, Light of Life Ministries, Inc. contributed \$609,444 and \$665,000, respectively, to L2CS to support L2CS operations until the grant revenue was received. These contributions, as well as all significant inter-entity balances and transactions, have been eliminated in consolidation.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The accrual basis of accounting is followed by the Corporation as applicable to not-for-profit organizations. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are subject to donor-imposed or other legal restrictions on the use of the assets that may be met either by actions of the Corporation or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions that the principal be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned for either general or donor-imposed purposes. The Corporation did not have any permanently restricted net assets at September 30, 2018 or 2017.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Restricted Cash – Funds Held for Clients

Funds held for clients include cash and cash equivalents of \$18,581 and \$14,449 for September 30, 2018 and 2017, respectively. These funds represent clients' personal funds held on their behalf and provided to the clients as needed. An offsetting liability is recorded for these funds, as the Corporation is only the custodian of these funds.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### Grants and Accounts Receivable

Grants and accounts receivable represent amounts due from funding sources for eligible expenditures incurred prior to reimbursement. Management has determined that no allowances were considered necessary at September 30, 2018 and 2017. All receivables are expected to be collected in one year.

### Pledges Receivable

Pledges receivable are recorded as unrestricted and temporarily restricted and are recorded at fair value. When estimating the fair value of the pledge's receivable, management considers each pledge instrument individually. The relationship with the donor, the donor's history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Uncollectible pledges receivable are expected to be immaterial and, therefore, no allowance for uncollectible pledges receivable is recorded as of September 30, 2018 and 2017.

### Investments

Investments are recorded at their fair value. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

### Land, Buildings and Improvements, and Equipment

Land, buildings and improvements, and equipment are stated at cost, less accumulated depreciation. Acquisitions of property and equipment in excess of \$2,000 are capitalized. Maintenance, repairs, and acquisitions less than \$2,000 are charged to expense. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Donated equipment is recorded at fair value at the time of donation. Depreciation expense was \$123,503 and \$94,919 for the years ended September 30, 2018 and 2017, respectively.

### Inventory

Inventory, which consist of undistributed donated clothing and toiletries for the homeless ministry, are reported at amounts that approximate fair value on the date of donation. The Corporation values the clothing at the average local thrift store price and toiletries are valued at the price per pound established by Feeding America.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### Revenue Recognition

Revenue from government grants, user fees, and program service fees are recognized at the time the services are performed. Contributions are recognized as revenue when they are received or unconditionally pledged.

The Corporation reports gifts of cash and the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Corporation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Corporation benefits from many hours of donated services that do not meet these criteria of revenue recognition yet are vital to the Corporation.

### Income Taxes

Light of Life Ministries, Inc. and L2CS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations. Light of Life Ministries, Inc. and L2CS annually file a Form 990 as applicable.

### Cost Allocation Plan

All expenses not charged directly to a program are allocated per the Corporation's cost allocation plan. The cost allocation plan uses direct expenses, hours of service, number of computers, square footage, and other sources as a basis in developing the cost allocation plan.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### Estimates

The preparation of financial statements in accordance 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.

### Concentration of Risk Factors

The Corporation's main source of revenue is earned through contributions from the Allegheny County (County) area. Thus, economic and demographic influences of individuals, corporations, and foundations in the County area have a substantial impact on the Corporation's operations. Additionally, the Corporation receives revenue from governmental grants and contracts. These governmental grants and contracts are entered into annually and could be significantly changed based upon government spending patterns. The Penn Free and Housing and Urban Development Grants received by L2CS were not continued for the fiscal year ended September 30, 2018. Grant revenue from these two sources amounts to approximately \$290,000.

### Pending Accounting Standards Update

The Financial Accounting Standards Board (FASB) has issued amendments to the FASB Accounting Standards Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on the Corporation's financial statements.

ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," is effective for the Corporation's financial statements for the year ending September 30, 2020. This amendment provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized.

ASU No. 2016-02, "*Leases (Topic 842)*," is effective for the Corporation's financial statements for the year ending September 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures will also be

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU No. 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for the Corporation’s financial statements for the year ending September 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information of liquidity, methods to allocate costs among program and support functions, and underwater donor-restricted endowment.

ASU No. 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),”* is effective for the Corporation’s financial statements for the year ending September 30, 2020. This amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

### **3. Description of Programs and Supporting Services**

The following is a description of the Corporation’s main programs and supporting services:

#### Mission Programs

The Corporation operates a long-term (12 months or more) recovery program for men, women, and children, in addition to outreach services that provide for the direct care of the needy and homeless populations. These include: a comprehensive recovery program consisting of transitional housing, counseling, education, work training, individual case management, and health care referrals; and Samaritan ministries providing meals, emergency

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# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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shelter, chapel services, and community outreach. The goal of these programs is to equip people to transform their lives and function as productive employees, competent parents, and healthy, self-sufficient citizens to the greatest extent possible.

### 4. Deposits

Cash is held in banks that carry FDIC insurance. Book balance and bank balance of all cash and cash equivalents at September 30, 2018 are \$562,429 and \$586,862, respectively. Of the bank balance of \$586,862, \$402,271 was insured by the FDIC. Book balance and bank balance of all cash and cash equivalents at September 30, 2017 are \$391,143 and \$411,052, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

### 5. Investments, at Fair Value

The fair value of the investments as of September 30, 2018 and 2017 is \$2,712,627 and \$2,813,385, respectively.

The total returns on investments for the years ended September 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 47,429	\$ 114,414
Unrealized gain (loss)	<u>(13,724)</u>	<u>(51,401)</u>
Investment gain (loss) recognized	<u>\$ 33,705</u>	<u>\$ 63,013</u>

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Corporation to classify assets and liabilities carried at fair value based on observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by the topic are:



# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

Level 2: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.

The Corporation had no investments using Level 3 inputs at September 30, 2018 and 2017.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2018 and 2017:

	2018			2017		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Mutual funds:						
Income fund:						
Bank loan	\$ -	\$ -	\$ -	\$ 460,912	\$ 460,912	\$ -
Bond:						
Short-term	-	-	-	731,664	731,664	-
Intermediate	-	-	-	1,073,552	1,073,552	-
Corporate	-	-	-	145,502	145,502	-
Government	-	-	-	393,946	393,946	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,805,576</u>	<u>2,805,576</u>	<u>-</u>
Equity:	<u>1,815</u>	<u>1,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash alternatives:						
Money market	313,349	313,349	-	7,809	7,809	-
Certificates of deposit	<u>2,397,463</u>	<u>-</u>	<u>2,397,463</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>2,712,627</u>	<u>\$ 315,164</u>	<u>\$ 2,397,463</u>	<u>2,813,385</u>	<u>\$ 2,813,385</u>	<u>\$ -</u>

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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Investments include various certificates of deposit. The certificates of deposit are FDIC insured. The certificates of deposit bear interest ranging from 1.45% to 2.20%. There are penalties for early withdrawal; however, any penalty for early withdrawal would not have a material effect on the financial statements.

### **6. Certificates of Deposit**

Investments include two certificates of deposit with original maturity of 18 months. The certificates of deposit are FDIC insured. The certificates of deposit bear interest at 1.80%. There is a penalty for early withdrawal; however, any penalty for early withdrawal would not have a material effect on the financial statements.

### **7. Pension Plan**

The Corporation has a voluntary-contributory defined contribution retirement plan (retirement plan) covering substantially all of its employees. The Corporation will match an employee deferral up to 4%, although the employee can defer any amount up to IRS limits. Expenses under the retirement plan for the years ended September 30, 2018 and 2017 were \$43,539 and \$45,601, respectively.

### **8. In-kind Donations**

The Corporation receives in-kind donations of food and supplies that are used to support its various activities. The estimated fair value of these items is reported as support and expense in the period in which the food and supplies are provided.

The Corporation also receives an in-kind donation of Executive Director's services. The estimated fair value of the service is reported as support and expense in the period in which the service is provided.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### 9. Restricted Net Assets

Temporarily restricted net assets for September 30, 2018 and 2017 consist of:

	2018	2017
Food	\$ -	\$ 2,921
Capital campaign	10,600	10,000
Men's Recovery	2,800	-
	<u>\$ 13,400</u>	<u>\$ 12,921</u>

Net assets of \$344,688 and \$155,848 were released from donor restrictions during the fiscal years ended September 30, 2018 and 2017, respectively, by incurring expenses satisfying the restricted purpose.

### 10. Designations of Unrestricted Net Assets

Unrestricted net assets are available to support the Corporation's operations and may be used at the discretion of the Corporation's Board. The Board has designated a portion of the unrestricted net assets for building and program expansion. At September 30, 2018 and 2017, the amount designated for building and program expansion was \$1,001,264 and \$1,063,161, respectively. The decrease in net assets designated for building and program expansion between the two years was due to legal, architectural services, engineering fees, and other expenses relating to a building; however, the building was not placed in service as of September 30, 2018.

### 11. Contingencies

The Corporation is currently receiving revenue under grants and contracts from governmental agencies. Certain of these grants and contracts provide for retroactive repayments of any unexpended revenue based upon an audit of the Corporation's costs of providing the services. Management is of the opinion that adjustments, if any, would not be significant.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

### 12. Fixed Assets

	September 30, 2017	Additions	Deletions	September 30, 2018
Land	\$ 72,756	\$ -	\$ -	\$ 72,756
Buildings and improvements	3,077,634	30,290	-	3,107,924
Equipment	387,573	19,372	-	406,945
Vehicles	93,098	26,253	-	119,351
Construction in progress	267,242	285,882	(33,373)	519,751
	3,898,303	361,797	(33,373)	4,226,727
Accumulated depreciation	(1,662,038)	(123,503)	-	(1,785,541)
	\$ 2,236,265	\$ 238,294	\$ (33,373)	\$ 2,441,186

  

	September 30, 2016	Additions	Deletions	September 30, 2017
Land	\$ 72,756	\$ -	\$ -	\$ 72,756
Buildings and improvements	2,909,281	168,353	-	3,077,634
Equipment	312,067	75,506	-	387,573
Vehicles	90,735	24,385	(22,022)	93,098
Construction in progress	186,802	261,990	(181,550)	267,242
	3,571,641	530,234	(203,572)	3,898,303
Accumulated depreciation	(1,589,141)	(94,919)	22,022	(1,662,038)
	\$ 1,982,500	\$ 435,315	\$ (181,550)	\$ 2,236,265

During 2012, the Corporation purchased a building to be used for mission programs. As of September 30, 2016, the Corporation was still waiting for proper zoning to be approved by the City of Pittsburgh. On February 2, 2017, the Corporation received zoning approval subject to a 30-day appeals process. During 2018, the Corporation capitalized costs of \$285,883 under construction in progress and placed \$33,373 into service. During 2017, the Corporation capitalized costs of \$261,990 under construction in progress and placed \$181,550 into service. This building is not being depreciated until it is placed in service, and has a carrying value of \$1,554,576 and \$1,044,992 as of September 30, 2018 and 2017, respectively.

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### **13. Unemployment Compensation Reserve**

The Corporation has elected to self-insure against its unemployment claims and has entered into an unemployment savings program with First Nonprofit, LLC. The Corporation makes quarterly payments into its unemployment savings plan as directed by First Nonprofit, LLC and uses the funds to create a reserve from which unemployment claims are paid when incurred. The Corporation is responsible for all claims up to a maximum of \$61,534, First Nonprofit, LLC is responsible for all claims exceeding \$61,534, up to a maximum of \$151,534.

The balance in the reserve account was \$53,267 at September 30, 2018 and \$41,670 at September 30, 2017 and earns interest on the average quarterly balance of approximately 2%. The balance is included in prepaid expenses on the statements of financial position. When the Corporation has claims in excess of the reserve account, the Corporation is charged an interest rate of 2%. The Corporation has the option to withdraw the reserve funds from the plan at their discretion.

### **14. Lines of Credit**

The Corporation has two lines of credit with two regional financial institutions: one for \$350,000 and one for \$100,000, with interest rates of 6.25% and 5.75%, respectively. As of September 30, 2018 and 2017, the outstanding balance of the line of credits was \$0.

### **15. Transactions with Family Guidance, Inc.**

On June 30, 2016, the Corporation entered into a credit and financial support agreement with Family Guidance, Inc., a 501 (c)(3) operating in the Pittsburgh market with similar programs as the Corporation, in which Family Guidance, Inc. may borrow up to \$600,000 from the Corporation to be split evenly between contributions and loans. As of September 30, 2018 and 2017, the loan receivable had a balance of \$0 and \$150,385, respectively. This agreement ended on February 28, 2018 and the agreement was not formally extended. The loan was secured by Family Guidance, Inc.'s escrow account from proceeds of the sale of capital assets as described in the credit and financial support agreement.

In addition, the Corporation provides administrative and fundraising services to Family Guidance, Inc. for expenses as incurred under a management agreement entered into on June 30, 2016. Family Guidance, Inc. incurred approximately \$106,000 for the year ended

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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September 30, 2018 and approximately \$80,000 for the year ended September 30, 2017, in expenses related to the management agreement. As of September 30, 2018 and 2017, Family Guidance owed approximately \$50,000 and \$0, respectively, for expenses incurred.

Family Guidance, Inc. also entered into a one-year lease agreement with the Corporation beginning June 30, 2016 for the use of the Corporation's property. Lease rental income for this operating lease is \$2,366 per month. The lease was extended until June 30, 2018 and subsequently has been renewed on a month-to-month basis.

Family Guidance, Inc. and the Corporation remain two separate entities as of September 30, 2018.

## **SUPPLEMENTARY INFORMATION**

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2018

<b>Assets</b>	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 509,419	\$ 34,429	\$ 543,848	\$ -	\$ 543,848
Restricted cash, client accounts	18,581	-	18,581	-	18,581
Due from L2CS	-	-	-	-	-
Grants and accounts receivable	50,127	72,989	123,116	-	123,116
Loan receivable	-	-	-	-	-
Inventory	105,448	-	105,448	-	105,448
Prepaid expenses	157,435	19,019	176,454	-	176,454
Total current assets	841,010	126,437	967,447	-	967,447
Investments:					
Investments, at fair value	2,712,627	-	2,712,627	-	2,712,627
Certificates of Deposit	250,000	250,000	500,000	-	500,000
Total investments	2,962,627	250,000	3,212,627	-	3,212,627
Property at cost:					
Land	72,756	-	72,756	-	72,756
Buildings and improvements	3,107,924	-	3,107,924	-	3,107,924
Equipment	406,945	-	406,945	-	406,945
Vehicles	119,351	-	119,351	-	119,351
Construction in progress	519,751	-	519,751	-	519,751
Total property at cost	4,226,727	-	4,226,727	-	4,226,727
Less accumulated depreciation	1,785,541	-	1,785,541	-	1,785,541
Net property	2,441,186	-	2,441,186	-	2,441,186
<b>Total Assets</b>	<b>\$ 6,244,823</b>	<b>\$ 376,437</b>	<b>\$ 6,621,260</b>	<b>\$ -</b>	<b>\$ 6,621,260</b>



# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2018

(Continued)

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 104,101	\$ 85,768	\$ 189,869	\$ -	\$ 189,869
Due to Light of Life	-	-	-	-	-
Restricted cash, client accounts	18,581	-	18,581	-	18,581
Accrued payroll and payroll taxes	99,631	-	99,631	-	99,631
Total Liabilities	222,313	85,768	308,081	-	308,081
<b>Net Assets:</b>					
Unrestricted:					
Board-designated	1,001,264	-	1,001,264	-	1,001,264
Undesignated	5,007,846	290,669	5,298,515	-	5,298,515
Total unrestricted	6,009,110	290,669	6,299,779	-	6,299,779
Temporarily restricted net assets	13,400	-	13,400	-	13,400
Total Net Assets	6,022,510	290,669	6,313,179	-	6,313,179
<b>Total Liabilities and Net Assets</b>	\$ 6,244,823	\$ 376,437	\$ 6,621,260	\$ -	\$ 6,621,260

(Concluded)

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2017

<b>Assets</b>	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 260,551	\$ 116,143	\$ 376,694	\$ -	\$ 376,694
Restricted cash, client accounts	14,449	-	14,449	-	14,449
Due from L2CS	28,400	-	28,400	(28,400)	-
Grants and accounts receivable	1,591	106,905	108,496	-	108,496
Loan receivable	150,385	-	150,385	-	150,385
Inventory	12,353	-	12,353	-	12,353
Prepaid expenses	147,258	22,560	169,818	-	169,818
Total current assets	614,987	245,608	860,595	(28,400)	832,195
<b>Investments:</b>					
Investments, at fair value	2,813,385	-	2,813,385	-	2,813,385
Certificates of Deposit	250,000	250,000	500,000	-	500,000
Total investments	3,063,385	250,000	3,313,385	-	3,313,385
<b>Property at cost:</b>					
Land	72,756	-	72,756	-	72,756
Buildings and improvements	3,077,634	-	3,077,634	-	3,077,634
Equipment	387,573	-	387,573	-	387,573
Vehicles	93,098	-	93,098	-	93,098
Construction in progress	267,242	-	267,242	-	267,242
Total property at cost	3,898,303	-	3,898,303	-	3,898,303
Less accumulated depreciation	1,662,038	-	1,662,038	-	1,662,038
Net property	2,236,265	-	2,236,265	-	2,236,265
<b>Total Assets</b>	<b>\$ 5,914,637</b>	<b>\$ 495,608</b>	<b>\$ 6,410,245</b>	<b>\$ (28,400)</b>	<b>\$ 6,381,845</b>

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2017

(Continued)

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 140,659	\$ 31,962	\$ 172,621	\$ -	\$ 172,621
Due to Light of Life	-	28,400	28,400	(28,400)	-
Restricted cash, client accounts	14,449	-	14,449	-	14,449
Accrued payroll and payroll taxes	117,553	-	117,553	-	117,553
Total Liabilities	272,661	60,362	333,023	(28,400)	304,623
<b>Net Assets:</b>					
Unrestricted:					
Board-designated	1,063,161	-	1,063,161	-	1,063,161
Undesignated	4,565,894	435,246	5,001,140	-	5,001,140
Total unrestricted	5,629,055	435,246	6,064,301	-	6,064,301
Temporarily restricted net assets	12,921	-	12,921	-	12,921
Total Net Assets	5,641,976	435,246	6,077,222	-	6,077,222
<b>Total Liabilities and Net Assets</b>	\$ 5,914,637	\$ 495,608	\$ 6,410,245	\$ (28,400)	\$ 6,381,845

(Concluded)

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
<b>Unrestricted Net Assets:</b>					
Support and revenues:					
Contributions	\$ 5,445,343	\$ 609,944	\$ 6,055,287	\$ (609,944)	\$ 5,445,343
Government grants and user fees	-	130,014	130,014	-	130,014
In-kind and food contributions	1,021,438	-	1,021,438	-	1,021,438
Special events	334,610	-	334,610	-	334,610
Program fees	17,360	-	17,360	-	17,360
Rental income	28,400	-	28,400	-	28,400
Interest income	43,129	-	43,129	-	43,129
Dividend income	4,300	-	4,300	-	4,300
Miscellaneous	1,902	-	1,902	-	1,902
Unrealized gain (loss) on investments	(13,724)	-	(13,724)	-	(13,724)
Released from restrictions	344,688	-	344,688	-	344,688
<b>Total support and revenues</b>	<b>7,227,446</b>	<b>739,958</b>	<b>7,967,404</b>	<b>(609,944)</b>	<b>7,357,460</b>
Expenses:					
Program:					
Mission	4,919,306	845,855	5,765,161	(609,944)	5,155,217
Management and general	464,064	25,036	489,100	-	489,100
Fundraising	1,464,021	13,644	1,477,665	-	1,477,665
<b>Total expenses</b>	<b>6,847,391</b>	<b>884,535</b>	<b>7,731,926</b>	<b>(609,944)</b>	<b>7,121,982</b>
<b>Change in Unrestricted Net Assets</b>	<b>380,055</b>	<b>(144,577)</b>	<b>235,478</b>	<b>-</b>	<b>235,478</b>
<b>Temporarily Restricted Net Assets:</b>					
Grants/contributions	345,167	-	345,167	-	345,167
Net assets released from restrictions	(344,688)	-	(344,688)	-	(344,688)
<b>Change in Temporarily Restricted Net Assets</b>	<b>479</b>	<b>-</b>	<b>479</b>	<b>-</b>	<b>479</b>
<b>Change in Net Assets</b>	<b>380,534</b>	<b>(144,577)</b>	<b>235,957</b>	<b>-</b>	<b>235,957</b>
<b>Net Assets:</b>					
Beginning of year	5,641,976	435,246	6,077,222	-	6,077,222
End of year	\$ 6,022,510	\$ 290,669	\$ 6,313,179	\$ -	\$ 6,313,179

# LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

## CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
<b>Unrestricted Net Assets:</b>					
Support and revenues:					
Contributions	\$ 5,017,806	\$ 665,000	\$ 5,682,806	\$ (665,000)	\$ 5,017,806
Government grants and user fees	15,000	499,969	514,969	-	514,969
In-kind and food contributions	850,985	-	850,985	-	850,985
Special events	355,804	-	355,804	-	355,804
Program fees	11,521	-	11,521	-	11,521
Rental income	28,400	-	28,400	-	28,400
Interest income	114,390	-	114,390	-	114,390
Dividend income	24	-	24	-	24
Miscellaneous	8,015	280	8,295	-	8,295
Unrealized gain (loss) on investments	(51,401)	-	(51,401)	-	(51,401)
Released from restrictions	155,848	-	155,848	-	155,848
<b>Total support and revenues</b>	<b>6,506,392</b>	<b>1,165,249</b>	<b>7,671,641</b>	<b>(665,000)</b>	<b>7,006,641</b>
Expenses:					
Program:					
Mission	4,786,327	795,684	5,582,011	(665,000)	4,917,011
Management and general	478,272	21,724	499,996	-	499,996
Fundraising	1,303,494	12,662	1,316,156	-	1,316,156
<b>Total expenses</b>	<b>6,568,093</b>	<b>830,070</b>	<b>7,398,163</b>	<b>(665,000)</b>	<b>6,733,163</b>
<b>Change in Unrestricted Net Assets</b>	<b>(61,701)</b>	<b>335,179</b>	<b>273,478</b>	<b>-</b>	<b>273,478</b>
<b>Temporarily Restricted Net Assets:</b>					
Grants/contributions	136,303	-	136,303	-	136,303
Net assets released from restrictions	(155,848)	-	(155,848)	-	(155,848)
<b>Change in Temporarily Restricted Net Assets</b>	<b>(19,545)</b>	<b>-</b>	<b>(19,545)</b>	<b>-</b>	<b>(19,545)</b>
<b>Change in Net Assets</b>	<b>(81,246)</b>	<b>335,179</b>	<b>253,933</b>	<b>-</b>	<b>253,933</b>
<b>Net Assets:</b>					
Beginning of year	5,723,222	100,067	5,823,289	-	5,823,289
End of year	\$ 5,641,976	\$ 435,246	\$ 6,077,222	\$ -	\$ 6,077,222