

Light of Life Ministries, Inc.

Financial Statements

**Years Ended September 30, 2011 and 2010
with Independent Auditor's Report**

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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LIGHT OF LIFE MINISTRIES, INC.

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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Independent Auditor's Report

Board of Directors
Light of Life Ministries, Inc.

We have audited the accompanying statements of financial position of Light of Life Ministries, Inc. (Corporation) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Maher Duessel

Pittsburgh, Pennsylvania
February 7, 2012

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 170,737	\$ 630,297
Grants and accounts receivable	227,162	193,978
Contributions receivable	4,990	18,777
Other current assets	117,757	112,933
Total current assets	520,646	955,985
Investments	1,634,889	1,260,233
Property at cost:		
Land	29,000	26,000
Buildings and improvements	2,134,842	2,103,744
Equipment	278,718	252,555
Vehicles	42,595	42,595
Total property at cost	2,485,155	2,424,894
Less accumulated depreciation	1,437,730	1,306,901
Net property	1,047,425	1,117,993
Total Assets	\$ 3,202,960	\$ 3,334,211
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 82,530	\$ 108,253
Accrued payroll and payroll taxes	73,493	64,160
Total Liabilities	156,023	172,413
Net Assets:		
Temporarily restricted net assets	49,103	168,617
Board designated	1,298,000	1,301,000
Unrestricted net assets	1,699,834	1,692,181
Total Net Assets	3,046,937	3,161,798
Total Liabilities and Net Assets	\$ 3,202,960	\$ 3,334,211

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Unrestricted Net Assets:		
Support and revenues:		
Contributions	\$ 3,593,875	\$ 3,521,284
Government grants and user fees	567,755	571,105
In-kind and food contributions	254,582	167,806
Special events	72,753	108,243
Program fees	12,933	23,085
Interest income	30,375	16,842
Miscellaneous	2,363	-
Unrealized gain (loss) on investments	(32,459)	-
Released from restrictions	252,538	126,840
Total support and revenues	4,754,715	4,535,205
Expenses:		
Program:		
Mission	3,017,197	2,739,950
Management and general	641,205	586,718
Fundraising	1,091,660	1,454,136
Total expenses	4,750,062	4,780,804
Change in Unrestricted Net Assets	4,653	(245,599)
Temporarily Restricted Net Assets:		
Grants/contributions	133,024	118,651
Net assets released from restrictions	(252,538)	(126,840)
Change in Temporarily Restricted Net Assets	(119,514)	(8,189)
Change in Net Assets	(114,861)	(253,788)
Net Assets:		
Beginning of year	3,161,798	3,415,586
End of year	\$ 3,046,937	\$ 3,161,798

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2011

	Totals	Program Mission	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 1,903,401	\$ 1,362,190	\$ 297,579	\$ 243,632
Benefits	804,479	536,959	217,942	49,578
Food	299,532	299,532	-	-
Building costs	220,209	198,088	14,521	7,600
Depreciation	130,829	108,296	13,379	9,154
Client costs	135,823	135,823	-	-
Insurance	47,253	39,207	6,718	1,328
Professional fees	17,819	-	17,819	-
Vehicle and travel	28,782	26,016	1,693	1,073
Telephone	33,205	21,033	6,330	5,842
Equipment	76,956	70,493	4,038	2,425
Supplies	45,831	37,959	4,794	3,078
Training	33,849	23,061	6,315	4,473
Postage	20,339	290	768	19,281
Direct mail	632,653	1,185	-	631,468
Contracted services	157,070	69,833	16,122	71,115
Advertising	5,423	4,928	495	-
Special events	37,012	-	-	37,012
In-kind donation expense	66,521	66,521	-	-
Miscellaneous	53,076	15,783	32,692	4,601
Total	<u>\$ 4,750,062</u>	<u>\$ 3,017,197</u>	<u>\$ 641,205</u>	<u>\$ 1,091,660</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2010

	Totals	Program Mission	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 1,754,512	\$ 1,209,493	\$ 321,607	\$ 223,412
Benefits	716,275	522,982	112,253	81,040
Food	274,723	274,723	-	-
Building costs	233,471	208,251	19,087	6,133
Depreciation	139,064	114,240	21,114	3,710
Client costs	124,522	124,522	-	-
Insurance	44,491	37,992	5,494	1,005
Professional fees	24,385	-	24,385	-
Vehicle and travel	31,256	24,707	4,541	2,008
Telephone	29,153	19,889	5,465	3,799
Equipment	44,799	36,098	2,968	5,733
Supplies	42,556	34,539	4,997	3,020
Training	33,755	23,885	6,803	3,067
Postage	50,385	828	910	48,647
Direct mail	932,472	357	-	932,115
Contracted services	198,668	90,108	15,735	92,825
Advertising	5,093	4,000	525	568
Special events	41,469	-	-	41,469
Miscellaneous	59,755	13,336	40,834	5,585
Total	<u>\$ 4,780,804</u>	<u>\$ 2,739,950</u>	<u>\$ 586,718</u>	<u>\$ 1,454,136</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ (114,861)	\$ (253,788)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	130,829	139,064
Net unrealized (gain) loss on investments	32,459	-
Change in:		
Grants and accounts receivable	(33,184)	20,740
Unconditional promises to give	13,787	45,815
Other current assets	(4,824)	(25,761)
Accounts payable	(25,723)	106,337
Accrued payroll and payroll taxes	9,333	5,925
Total adjustments	122,677	292,120
Net cash provided by (used in) operating activities	7,816	38,332
Cash Flows From Investing Activities:		
Net sales (purchase) of investments	(407,115)	(760,493)
Payments for property, equipment, and improvements	(60,261)	(47,898)
Net cash provided by (used in) investing activities	(467,376)	(808,391)
Net Increase (Decrease) in Cash and Cash Equivalents	(459,560)	(770,059)
Cash and Cash Equivalents:		
Beginning of year	630,297	1,400,356
End of year	\$ 170,737	\$ 630,297

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

1. ORGANIZATION

Light of Life Ministries, Inc. (Corporation) 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. The Corporation'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, the Corporation believes all citizens need to be made aware of the plight of the hungry, homeless, and troubled people of the area. The Corporation is supported primarily by donor contributions and government grantors located in Southwestern Pennsylvania.

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. The Corporation had temporarily restricted net assets at September 30, 2011 and 2010 of \$49,103 and \$168,617, respectively.

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, 2011 or 2010.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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.

Investments

Investments are recorded at their fair market value. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market 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 \$1,000 are capitalized. Maintenance, repairs, and acquisitions less than \$1,000 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 \$130,829 and \$139,064 for the years ended September 30, 2011 and 2010, respectively.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit 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

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to give represent amounts committed by donors that have not been received by the Corporation. There is no allowance for estimated uncollectible contributions in 2011 and 2010.

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

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation. Further, the Corporation annually files a Form 990. The form filed is subject to examination by the Internal Revenue Service generally for three years after it is filed.

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.

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.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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.

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 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 AND INVESTMENTS

Cash is held in banks that carry FDIC insurance. Book balance and bank balance of all cash and cash equivalents at September 30, 2011 are \$170,737 and \$150,965, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2010 are \$630,297 and \$609,553, respectively. At September 30, 2010, the Corporation also held certificates of deposit with banking institutions with maturities greater than three months. The book balance of these certificates of

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

deposit of \$1,260,233, for September 30, 2010 is included on the statement of financial position as investments. At September 30, 2011 and 2010, the Corporation's uninsured balance totaled \$0 and \$17,007, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

5. INVESTMENTS

The fair market value of the investments as of September 30, 2011 and 2010 is \$1,634,889 and \$1,260,233, respectively. The total returns on investments for the years ended September 30, 2011 and 2010 are summarized below:

	2011	2010
Interest income	\$ 30,375	\$ 16,842
Unrealized gain (loss)	(32,459)	-
Investment gain (loss) recognized	<u>\$ (2,084)</u>	<u>\$ 16,842</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:

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

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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.

Light of Life had no investment using Level 2 or Level 3 inputs at June 30, 2011 and 2010.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2011:

	Level 1	
	2011	2010
Mutual funds:		
Government:		
Short-term	\$ 316,312	\$ -
Intermediate	275,073	-
Income fund:		
Inflation protected	283,460	-
Intermediate	232,514	-
World	340,587	-
Bond:		
Short-term	183,699	-
	<u>1,631,645</u>	<u>-</u>
Cash and cash alternatives:		
Certificate of deposit	-	1,260,233
Money market	3,244	-
Total	<u>\$ 1,634,889</u>	<u>\$ 1,260,233</u>

6. CONTRIBUTIONS RECEIVABLE

As of September 30, 2011 and 2010, the Corporation had unconditional contributions receivable of \$4,990 and \$18,777, respectively. All amounts are due in less than one year.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

7. PENSION PLAN

The Corporation has a voluntary-contributory defined contribution retirement plan (retirement plan) covering substantially all of its employees. Eligible employees receive monthly contributions equivalent to 4% of salary or wages. In addition, the retirement plan provides for a 100% employer match for employee elective deferrals of up to 2.5% of salary or wages. Expenses under the retirement plan for the years ended September 30, 2011 and 2010 were \$92,823 and \$111,421, respectively.

8. DONATED FOOD AND SUPPLIES

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.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets for September 30, 2011 and 2010 consist of:

	2011	2010
FAP Funds	\$ 29,390	\$ 132,663
Client Healthcare	5,595	9,358
Food	1,521	6,412
Dining, Kitchen, and Laundry	318	8,020
Curriculum for Education and Employment	4,674	9,931
Other programs	7,605	2,233
	<u>\$ 49,103</u>	<u>\$ 168,617</u>

Net assets of \$252,538 and \$126,840 were released from donor restrictions, during the fiscal years ended September 30, 2011 and 2010, 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 capital improvements/capital expansion. At

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

September 30, 2011 and 2010, the amount designated for capital improvements was \$1,298,000 and \$1,301,000, respectively.

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.

12. FIXED ASSETS

	September 30, 2010	Additions	September 30, 2011
Land	\$ 26,000	\$ 3,000	\$ 29,000
Buildings and Improvements	2,103,744	31,098	2,134,842
Equipment	252,555	26,163	278,718
Vehicles	42,595	-	42,595
	2,424,894	60,261	2,485,155
Accumulated depreciation	(1,306,901)	(130,829)	(1,437,730)
	<u>\$ 1,117,993</u>	<u>\$ (70,568)</u>	<u>\$ 1,047,425</u>

	September 30, 2009	Additions	September 30, 2010
Land	\$ 26,000	\$ -	\$ 26,000
Buildings and Improvements	2,084,794	18,950	2,103,744
Equipment	223,607	28,948	252,555
Vehicles	42,595	-	42,595
	2,920,594	47,898	2,424,894
Accumulated depreciation	(1,167,837)	(139,064)	(1,306,901)
	<u>\$ 1,903,697</u>	<u>\$ (91,166)</u>	<u>\$ 1,117,993</u>