

**Light of Life Ministries, Inc.**

Financial Statements

Years Ended September 30, 2012 and 2011  
with Independent Auditor's Report

# **LIGHT OF LIFE MINISTRIES, INC.**

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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  
March 7, 2013

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 258,273	\$ 170,737
Grants and accounts receivable	234,694	227,162
Contributions receivable	19,315	4,990
Other current assets	122,151	117,757
Total current assets	634,433	520,646
Investments	1,008,232	1,634,889
Property at cost:		
Land	26,000	29,000
Buildings and improvements	2,986,731	2,134,842
Equipment	278,718	278,718
Vehicles	42,595	42,595
Total property at cost	3,334,044	2,485,155
Less accumulated depreciation	1,558,901	1,437,730
Net property	1,775,143	1,047,425
<b>Total Assets</b>	<b>\$ 3,417,808</b>	<b>\$ 3,202,960</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 53,319	\$ 82,530
Accrued payroll and payroll taxes	91,155	73,493
Total Liabilities	144,474	156,023
Net Assets:		
Temporarily restricted net assets	72,783	49,103
Board-designated	336,144	1,298,000
Unrestricted net assets	2,864,407	1,699,834
Total Net Assets	3,273,334	3,046,937
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,417,808</b>	<b>\$ 3,202,960</b>

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Net Assets:</b>		
Support and revenues:		
Contributions	\$ 3,546,796	3,593,875
Government grants and user fees	551,193	567,755
In-kind and food contributions	298,251	254,582
Special events	184,889	72,753
Program fees	17,412	12,933
Interest income	94,978	30,375
Miscellaneous	275	2,363
Unrealized gain (loss) on investments	16,189	(32,459)
Released from restrictions	107,177	252,538
	<u>4,817,160</u>	<u>4,754,715</u>
Total support and revenues		
Expenses:		
Program:		
Mission	2,954,529	3,017,197
Management and general	622,646	641,205
Fundraising	1,037,268	1,091,660
	<u>4,614,443</u>	<u>4,750,062</u>
Total expenses		
Change in Unrestricted Net Assets	<u>202,717</u>	<u>4,653</u>
<b>Temporarily Restricted Net Assets:</b>		
Grants/contributions	130,857	133,024
Net assets released from restrictions	(107,177)	(252,538)
	<u>23,680</u>	<u>(119,514)</u>
Change in Temporarily Restricted Net Assets		
Change in Net Assets	226,397	(114,861)
<b>Net Assets:</b>		
Beginning of year	3,046,937	3,161,798
End of year	<u>\$ 3,273,334</u>	<u>\$ 3,046,937</u>

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2012

	Totals	Program Mission	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 1,827,259	\$ 1,357,402	\$ 268,673	\$ 201,184
Benefits	733,008	481,173	221,202	30,633
Food	307,881	307,881	-	-
Building costs	245,095	213,790	20,329	10,976
Depreciation	121,171	100,375	9,220	11,576
Client costs	137,968	137,968	-	-
Insurance	53,174	41,632	9,599	1,943
Professional fees	21,532	4,650	16,882	-
Vehicle and travel	38,800	37,189	-	1,611
Telephone	49,930	35,871	7,030	7,029
Equipment	50,664	25,959	19,404	5,301
Supplies	32,496	25,336	4,718	2,442
Training	33,875	18,594	4,708	10,573
Postage	26,449	255	689	25,505
Direct mail	628,705	-	-	628,705
Contracted services	116,921	47,464	13,004	56,453
Advertising	3,175	2,075	-	1,100
Special events	36,193	-	-	36,193
In-kind donation expense	105,995	105,995	-	-
Miscellaneous	44,152	10,920	27,188	6,044
Total	<u>\$ 4,614,443</u>	<u>\$ 2,954,529</u>	<u>\$ 622,646</u>	<u>\$ 1,037,268</u>

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
<b>Total</b>	<b>\$ 4,750,062</b>	<b>\$ 3,017,197</b>	<b>\$ 641,205</b>	<b>\$ 1,091,660</b>

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 226,397	\$ (114,861)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	121,171	130,829
Net unrealized (gain) loss on investments	(16,189)	32,459
Change in:		
Grants and accounts receivable	(7,532)	(33,184)
Contributions receivable	(14,325)	13,787
Other current assets	(4,394)	(4,824)
Accounts payable	(29,211)	(25,723)
Accrued payroll and payroll taxes	17,662	9,333
Total adjustments	<u>67,182</u>	<u>122,677</u>
Net cash provided by (used in) operating activities	<u>293,579</u>	<u>7,816</u>
<b>Cash Flows From Investing Activities:</b>		
Net sales (purchase) of investments	642,846	(407,115)
Payments for property, equipment, and improvements	<u>(848,889)</u>	<u>(60,261)</u>
Net cash provided by (used in) investing activities	<u>(206,043)</u>	<u>(467,376)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	87,536	(459,560)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>170,737</u>	<u>630,297</u>
End of year	<u>\$ 258,273</u>	<u>\$ 170,737</u>

See accompanying notes to financial statements.



# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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### 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, 2012 and 2011 of \$72,783 and \$49,103, 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, 2012 or 2011.

# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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### 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 \$121,171 and \$130,829 for the years ended September 30, 2012 and 2011, 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, 2012 AND 2011

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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 2012 and 2011.

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, 2012 AND 2011

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### 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**

Cash is held in banks that carry FDIC insurance. Book balance and bank balance of all cash and cash equivalents at September 30, 2012 are \$258,273 and \$156,839, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2011 are \$170,737 and \$150,965, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

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# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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### 5. INVESTMENTS

The fair market value of the investments as of September 30, 2012 and 2011 is \$1,008,232 and \$1,634,889, respectively. The total returns on investments for the years ended September 30, 2012 and 2011 are summarized below:

	<u>2012</u>	<u>2011</u>
Interest income	\$ 94,978	\$ 30,375
Unrealized gain (loss)	<u>16,189</u>	<u>(32,459)</u>
Investment gain (loss) recognized	<u>\$ 111,167</u>	<u>\$ (2,084)</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 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, 2012 and 2011.

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# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2012 and 2011:

	Level 1	
	2012	2011
Mutual funds:		
Government:		
Short-term	\$ -	\$ 316,312
Intermediate	251,961	275,073
Income fund:		
Inflation protected	92,786	283,460
Intermediate	146,808	232,514
World	184,637	340,587
Bond:		
Short-term	-	183,699
Intermediate	325,640	-
	<u>1,001,832</u>	<u>1,631,645</u>
Cash and cash alternatives:		
Money market	6,400	3,244
Total	<u>\$ 1,008,232</u>	<u>\$ 1,634,889</u>

### 6. CONTRIBUTIONS RECEIVABLE

As of September 30, 2012 and 2011, the Corporation had unconditional contributions receivable of \$19,315 and \$4,990, respectively. All amounts are due in less than one year.

### 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, in 2011 the retirement plan provides for a 100% employer match for employee elective deferrals of up to 2.5% of salary or wages. During 2012, the match was changed so that the Corporation will match an employee deferral up to 4%, although the employee can still defer any amount up to IRS limits. Expenses under the retirement

# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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plan for the years ended September 30, 2012 and 2011 were \$44,530 and \$92,823, 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, 2012 and 2011 consist of:

	2012	2011
FAP Funds	\$ 22,690	\$ 29,390
Client Healthcare	4,971	5,595
Food	7,410	1,521
Dining, Kitchen, and Laundry	-	318
Curriculum for Education and Employment	33,689	4,674
Other programs	4,023	7,605
	<u>\$ 72,783</u>	<u>\$ 49,103</u>

Net assets of \$107,177 and \$252,538 were released from donor restrictions, during the fiscal years ended September 30, 2012 and 2011, 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 September 30, 2012 and 2011, the amount designated for capital improvements was \$336,144 and \$1,298,000, respectively. The decrease in net assets designated for capital expansion between the two years was used during 2012 to purchase a new building.

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# LIGHT OF LIFE MINISTRIES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

### 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

	<u>September 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2012</u>
Land	\$ 29,000	\$ -	\$ (3,000)	\$ 26,000
Buildings and improvements	2,134,842	851,889	-	2,986,731
Equipment	278,718	-	-	278,718
Vehicles	42,595	-	-	42,595
	<u>2,485,155</u>	<u>851,889</u>	<u>(3,000)</u>	<u>3,334,044</u>
Accumulated depreciation	<u>(1,437,730)</u>	<u>(121,171)</u>	<u>-</u>	<u>(1,558,901)</u>
	<u>\$ 1,047,425</u>	<u>\$ 730,718</u>	<u>\$ (3,000)</u>	<u>\$ 1,775,143</u>

  

	<u>September 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2011</u>
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
	<u>2,424,894</u>	<u>60,261</u>	<u>-</u>	<u>2,485,155</u>
Accumulated depreciation	<u>(1,306,901)</u>	<u>(130,829)</u>	<u>-</u>	<u>(1,437,730)</u>
	<u>\$ 1,117,993</u>	<u>\$ (70,568)</u>	<u>\$ -</u>	<u>\$ 1,047,425</u>