# Light of Life Ministries, Inc.

Financial Statements

Years Ended September 30, 2013 and 2012
with Independent Auditor's Report

# LIGHT OF LIFE MINISTRIES, INC.

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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# Independent Auditor's Report

Board of Directors
Light of Life Ministries, Inc.

We have audited the accompanying financial statements of Light of Life Ministries, Inc. (Corporation) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maher Duessel*
Pittsburgh, Pennsylvania
February 3, 2014

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 264,340 | $ 258,273 |
| Grants and accounts receivable | 242,545 | 234,694 |
| Contributions receivable | 36,717 | 19,315 |
| Other current assets | 193,516 | 122,151 |
| Total current assets | 737,118 | 634,433 |
| Investments | 1,337,067 | 1,008,232 |
| Property at cost: | | |
| Land | 26,000 | 26,000 |
| Buildings and improvements | 3,162,636 | 2,986,731 |
| Equipment | 290,868 | 278,718 |
| Vehicles | 42,595 | 42,595 |
| Total property at cost | 3,522,099 | 3,334,044 |
| Less accumulated depreciation | 1,652,261 | 1,558,901 |
| Net property | 1,869,838 | 1,775,143 |
| **Total Assets** | $ 3,944,023 | $ 3,417,808 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | $ 70,206 | $ 53,319 |
| Accrued payroll and payroll taxes | 91,511 | 91,155 |
| Total Liabilities | 161,717 | 144,474 |
| Net Assets: | | |
| Temporarily restricted net assets | 86,227 | 72,783 |
| Board-designated | 200,890 | 336,144 |
| Unrestricted net assets | 3,495,189 | 2,864,407 |
| Total Net Assets | 3,782,306 | 3,273,334 |
| **Total Liabilities and Net Assets** | $ 3,944,023 | $ 3,417,808 |

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Unrestricted Net Assets:** | | |
| Support and revenues: | | |
| Contributions | $ 3,614,605 | $ 3,546,796 |
| Government grants and user fees | 575,809 | 551,193 |
| In-kind and food contributions | 429,642 | 298,251 |
| Special events | 244,830 | 184,889 |
| Program fees | 15,177 | 17,412 |
| Interest income | 64,849 | 94,978 |
| Miscellaneous | 6,149 | 275 |
| Unrealized gain (loss) on investments | (71,486) | 16,189 |
| Released from restrictions | 145,519 | 107,177 |
| Total support and revenues | 5,025,094 | 4,817,160 |
| Expenses: | | |
| Program: | | |
| Mission | 3,160,969 | 2,954,529 |
| Management and general | 506,329 | 622,646 |
| Fundraising | 862,268 | 1,037,268 |
| Total expenses | 4,529,566 | 4,614,443 |
| **Change in Unrestricted Net Assets** | 495,528 | 202,717 |
| **Temporarily Restricted Net Assets:** | | |
| Grants/contributions | 158,963 | 130,857 |
| Net assets released from restrictions | (145,519) | (107,177) |
| **Change in Temporarily Restricted Net Assets** | 13,444 | 23,680 |
| **Change in Net Assets** | 508,972 | 226,397 |
| **Net Assets:** | | |
| Beginning of year | 3,273,334 | 3,046,937 |
| End of year | $ 3,782,306 | $ 3,273,334 |

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

### YEAR ENDED SEPTEMBER 30, 2013

| | Totals | Program Mission | Management and General | Fundraising |
|---|---|---|---|---|
| Direct expenses: | | | | |
| Salaries | $ 1,801,206 | $ 1,343,647 | $ 261,683 | $ 195,876 |
| Benefits | 600,966 | 458,863 | 93,933 | 48,170 |
| Food | 333,261 | 333,261 | - | - |
| Building costs | 256,067 | 227,535 | 18,704 | 9,828 |
| Depreciation | 93,360 | 81,175 | 4,778 | 7,407 |
| Client costs | 186,012 | 183,750 | - | 2,262 |
| Insurance | 64,054 | 42,309 | 21,745 | - |
| Professional fees | 16,250 | - | 16,250 | - |
| Vehicle and travel | 36,657 | 34,017 | 1,348 | 1,292 |
| Telephone | 40,863 | 31,179 | 4,592 | 5,092 |
| Equipment | 41,651 | 36,698 | 2,686 | 2,267 |
| Supplies | 37,767 | 31,776 | 3,645 | 2,346 |
| Training | 18,141 | 11,231 | 3,737 | 3,173 |
| Postage | 27,328 | 7,890 | 934 | 18,504 |
| Direct mail | 472,132 | 56,280 | 589 | 415,263 |
| Contracted services | 220,269 | 80,258 | 38,618 | 101,393 |
| Advertising | 48,364 | 48,364 | - | - |
| Special events | 43,698 | - | - | 43,698 |
| In-kind donation expense | 137,558 | 137,558 | - | - |
| Miscellaneous | 53,962 | 15,178 | 33,087 | 5,697 |
| Total | $ 4,529,566 | $ 3,160,969 | $ 506,329 | $ 862,268 |

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 | $ 4,614,443 | $ 2,954,529 | $ 622,646 | $ 1,037,268 |

See accompanying notes to financial statements.

# LIGHT OF LIFE MINISTRIES, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Change in net assets | $ 508,972 | $ 226,397 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 93,360 | 121,171 |
| Net unrealized (gain) loss on investments | 71,486 | (16,189) |
| Change in: | | |
| Grants and accounts receivable | (7,851) | (7,532) |
| Contributions receivable | (17,402) | (14,325) |
| Other current assets | (71,365) | (4,394) |
| Accounts payable | 16,887 | (29,211) |
| Accrued payroll and payroll taxes | 356 | 17,662 |
| Total adjustments | 85,471 | 67,182 |
| Net cash provided by (used in) operating activities | 594,443 | 293,579 |
| **Cash Flows From Investing Activities:** | | |
| Net sales (purchase) of investments | (400,321) | 642,846 |
| Payments for property, equipment, and improvements | (188,055) | (848,889) |
| Net cash provided by (used in) investing activities | (588,376) | (206,043) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 6,067 | 87,536 |
| **Cash and Cash Equivalents:** | | |
| Beginning of year | 258,273 | 170,737 |
| End of year | $ 264,340 | $ 258,273 |

See accompanying notes to financial statements.

## 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, 2013 and 2012 of $86,227 and $72,783, 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, 2013 or 2012.

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 $93,360 and $121,171 for the years ended September 30, 2013 and 2012, 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 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 2013 and 2012.

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.

### 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, 2013 are $264,340 and $301,293 respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2012 are $258,273 and $156,839, 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, 2013 and 2012 is $1,337,067 and $1,008,232, respectively. The total returns on investments for the years ended September 30, 2013 and 2012 are summarized below:

| | 2013 | 2012 |
|---|---|---|
| Interest income | $ 64,849 | $ 94,978 |
| Unrealized gain (loss) | (71,486) | 16,189 |
| Investment gain (loss) recognized | $ (6,637) | $ 111,167 |

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 investments using Level 2 or Level 3 inputs at June 30, 2013 and 2012.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2013 and 2012:

| | Level 1 | |
|---|---|---|
| | 2013 | 2012 |
| Mutual funds: | | |
| Government: | | |
| Intermediate | $ 45,840 | $ 251,961 |
| Income fund: | | |
| Bank loan | 200,339 | - |
| Inflation protected | - | 92,786 |
| Intermediate | - | 146,808 |
| World | 256,925 | 184,637 |
| Bond: | | |
| Short-term | 286,656 | - |
| Intermediate | 541,732 | 325,640 |
| | 1,331,492 | 1,001,832 |
| Cash and cash alternatives: | | |
| Money market | 5,575 | 6,400 |
| Total | $ 1,337,067 | $ 1,008,232 |

## 6. CONTRIBUTIONS RECEIVABLE

As of September 30, 2013 and 2012, the Corporation had unconditional contributions receivable of $36,717 and $19,315, 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. 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, 2013 and 2012 were $26,006 and $44,530, 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 the service is reported as support and expense in the period in which the service is provided.

## 9. Restricted Net Assets

Temporarily restricted net assets for September 30, 2013 and 2012 consist of:

| | 2013 | 2012 |
|---|---|---|
| FAP Funds | $ 13,355 | $ 22,690 |
| Client Healthcare | 2,836 | 4,971 |
| Food | 11,042 | 7,410 |
| Dining, Kitchen, and Laundry | 5,929 | - |
| Curriculum for Education and Employment | 14,738 | 33,689 |
| High Commitment Shelter | 15,265 | - |
| Other programs | 23,062 | 4,023 |
| | $ 86,227 | $ 72,783 |

Net assets of $145,519 and $107,177 were released from donor restrictions, during the fiscal years ended September 30, 2013 and 2012, 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, 2013 and 2012, the amount designated for capital improvements was $200,890 and $336,144, respectively. The decrease in net assets designated for capital expansion between the two years was used during 2013 to prepare the building for service; however, the building was not placed in service as of September 30, 2013.

## 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, 2012 | Additions | Deletions | September 30, 2013 |
|---|---|---|---|---|
| Land | $ 26,000 | $ - | $ - | $ 26,000 |
| Buildings and improvements | 2,986,731 | 175,905 | - | 3,162,636 |
| Equipment | 278,718 | 12,150 | - | 290,868 |
| Vehicles | 42,595 | - | - | 42,595 |
| | 3,334,044 | 188,055 | - | 3,522,099 |
| Accumulated depreciation | (1,558,901) | (93,360) | - | (1,652,261) |
| | $ 1,775,143 | $ 94,695 | $ - | $ 1,869,838 |

| | September 30, 2011 | Additions | Deletions | September 30, 2012 |
|---|---|---|---|---|
| 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 |
| | 2,485,155 | 851,889 | (3,000) | 3,334,044 |
| Accumulated depreciation | (1,437,730) | (121,171) | - | (1,558,901) |
| | $ 1,117,993 | $ 730,718 | $ (3,000) | $ 1,775,143 |

During 2012, the Corporation purchased a building to be used for mission programs. As of September 30, 2013, the Corporation is waiting for proper zoning to be approved by the City of Pittsburgh. During 2013, the Corporation capitalized costs of $170,855. This building is not being depreciated until it is placed in service and has a carrying value of $1,022,276 and $851,421 as of September 30, 2013 and 2012, respectively.