

Light of Life Ministries, Inc.

Financial Statements

Years Ended September 30, 2014 and 2013
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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LIGHT OF LIFE MINISTRIES, INC.

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 6, 2015

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 382,962	\$ 264,340
Grants and accounts receivable	347,044	242,545
Contributions receivable	-	36,717
Inventory	6,233	-
Other current assets	281,104	193,516
Total current assets	<u>1,017,343</u>	<u>737,118</u>
Investments	<u>1,941,650</u>	<u>1,337,067</u>
Property at cost:		
Land	26,000	26,000
Buildings and improvements	3,032,529	3,162,636
Equipment	285,578	290,868
Vehicles	42,595	42,595
Total property at cost	3,386,702	3,522,099
Less accumulated depreciation	<u>1,722,812</u>	<u>1,652,261</u>
Net property	<u>1,663,890</u>	<u>1,869,838</u>
Total Assets	<u>\$ 4,622,883</u>	<u>\$ 3,944,023</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 212,814	\$ 70,206
Accrued payroll and payroll taxes	110,956	91,511
Unearned revenue	260,248	-
Total Liabilities	<u>584,018</u>	<u>161,717</u>
Net Assets:		
Unrestricted:		
Board-designated	1,500,000	200,890
Undesignated	<u>2,451,241</u>	<u>3,495,189</u>
Total unrestricted	3,951,241	3,696,079
Temporarily restricted net assets	<u>87,624</u>	<u>86,227</u>
Total Net Assets	<u>4,038,865</u>	<u>3,782,306</u>
Total Liabilities and Net Assets	<u>\$ 4,622,883</u>	<u>\$ 3,944,023</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Net Assets:		
Support and revenues:		
Contributions	\$ 3,873,920	\$ 3,614,605
Government grants and user fees	531,633	575,809
In-kind and food contributions	540,950	429,642
Special events	277,619	244,830
Program fees	14,012	15,177
Interest income	70,458	64,849
Miscellaneous	11,640	6,149
Unrealized gain (loss) on investments	8,162	(71,486)
Released from restrictions	218,947	145,519
	<u>5,547,341</u>	<u>5,025,094</u>
Total support and revenues		
Expenses:		
Program:		
Mission	3,615,143	3,164,037
Management and general	551,256	503,329
Fundraising	1,125,780	862,200
	<u>5,292,179</u>	<u>4,529,566</u>
Total expenses		
Change in Unrestricted Net Assets	<u>255,162</u>	<u>495,528</u>
Temporarily Restricted Net Assets:		
Grants/contributions	220,344	158,963
Net assets released from restrictions	(218,947)	(145,519)
	<u>1,397</u>	<u>13,444</u>
Change in Temporarily Restricted Net Assets		
Change in Net Assets	256,559	508,972
Net Assets:		
Beginning of year	3,782,306	3,273,334
End of year	<u>\$ 4,038,865</u>	<u>\$ 3,782,306</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Totals	Program Mission	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 1,874,323	\$ 1,384,412	\$ 273,584	\$ 216,327
Benefits	616,636	486,071	71,831	58,734
Food	480,504	480,504	-	-
Building costs	296,012	256,723	28,397	10,892
Depreciation	79,831	68,201	4,588	7,042
Client costs	328,583	328,583	-	-
Insurance	49,117	31,902	15,070	2,145
Professional fees	27,937	5,353	21,829	755
Vehicle and travel	33,571	27,872	4,344	1,355
Telephone	40,112	31,413	4,305	4,394
Equipment	84,297	74,550	7,555	2,192
Supplies	55,569	50,387	3,370	1,812
Training	20,336	6,683	652	13,001
Postage	29,510	16,713	1,015	11,782
Direct mail	644,367	56,314	-	588,053
Contracted services	333,838	161,851	68,527	103,460
Advertising	39,966	39,357	-	609
Special events	50,749	181	-	50,568
In-kind donation expense	78,728	78,728	-	-
Miscellaneous	128,193	29,345	46,189	52,659
Total	<u>\$ 5,292,179</u>	<u>\$ 3,615,143</u>	<u>\$ 551,256</u>	<u>\$ 1,125,780</u>

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	\$ 1,796,400	\$ 1,343,166	\$ 257,358	\$ 195,876
Benefits	605,772	459,344	98,258	48,170
Food	303,452	303,452	-	-
Building costs	244,067	215,535	18,704	9,828
Depreciation	93,360	81,175	4,778	7,407
Client costs	207,576	207,576	-	-
Insurance	66,316	42,309	21,745	2,262
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	53,651	48,698	2,686	2,267
Supplies	43,751	37,760	3,645	2,346
Training	18,141	11,231	3,737	3,173
Postage	27,326	7,889	934	18,503
Direct mail	472,132	56,280	589	415,263
Contracted services	178,430	80,258	19,825	78,347
Advertising	48,363	48,363	-	-
Special events	43,698	68	-	43,630
In-kind donation expense	137,558	137,558	-	-
Miscellaneous	95,803	18,179	48,880	28,744
Total	\$ 4,529,566	\$ 3,164,037	\$ 503,329	\$ 862,200

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 256,559	\$ 508,972
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	79,831	93,360
Net unrealized (gain) loss on investments	(8,162)	71,486
Change in:		
Grants and accounts receivable	(104,499)	(7,851)
Contributions receivable	36,717	(17,402)
Inventory	(6,233)	-
Other current assets	(87,588)	(71,365)
Accounts payable	142,608	16,887
Accrued payroll and payroll taxes	19,445	356
Unearned revenue	260,248	-
Total adjustments	332,367	85,471
Net cash provided by (used in) operating activities	588,926	594,443
Cash Flows From Investing Activities:		
Net sales (purchase) of investments	(596,421)	(400,321)
Payments for (purchases of) property, equipment, and improvements	126,117	(188,055)
Net cash provided by (used in) investing activities	(470,304)	(588,376)
Net Increase (Decrease) in Cash and Cash Equivalents	118,622	6,067
Cash and Cash Equivalents:		
Beginning of year	264,340	258,273
End of year	\$ 382,962	\$ 264,340

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013 of \$87,624 and \$86,227, 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, 2014 or 2013.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 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 \$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 \$79,831 and \$93,360 for the years ended September 30, 2014 and 2013, respectively.

Inventories

Inventories, which consist of donated clothing and toiletries for the homeless ministry, are stated at the lower of cost or market. 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.

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.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 2014 and 2013.

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.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements for the year ended September 30, 2013 to conform to the current year's presentation.

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.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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.

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 are \$382,962 and \$392,537, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2013 are \$264,340 and \$301,293, 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 value of the investments as of September 30, 2014 and 2013 is \$1,941,650 and \$1,337,067, respectively. \$1,500,000 of the 2014 amount and \$200,890 of the 2013 amount has been designated by the board for building and program expansion.

The total returns on investments for the years ended September 30, 2014 and 2013 are summarized below:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 70,458	\$ 64,849
Unrealized gain (loss)	<u>8,162</u>	<u>(71,486)</u>
Investment gain (loss) recognized	<u>\$ 78,620</u>	<u>\$ (6,637)</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

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 2 or Level 3 inputs at June 30, 2014 and 2013.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2014 and 2013:

	Level 1	
	2014	2013
Mutual funds:		
Government:		
Intermediate	\$ -	\$ 45,840
Income fund:		
Bank loan	355,370	200,339
World	372,194	256,925
Bond:		
Short-term	450,170	286,656
Intermediate	415,232	541,732
High-yield	167,266	-
Corporate	174,210	-
	<u>1,934,442</u>	<u>1,331,492</u>
Cash and cash alternatives:		
Money market	7,208	5,575
Total	<u>\$ 1,941,650</u>	<u>\$ 1,337,067</u>

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

6. CONTRIBUTIONS RECEIVABLE

As of September 30, 2014 and 2013, the Corporation had unconditional contributions receivable of \$0 and \$36,717, 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, 2014 and 2013 were \$47,662 and \$26,006, 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.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets for September 30, 2014 and 2013 consist of:

	2014	2013
FAP Funds	\$ 1,964	\$ 13,355
Client Healthcare	808	2,836
Food	36,029	11,042
Dining, Kitchen, and Laundry	5,929	5,929
Curriculum for Education and Employment	14,602	14,738
High Commitment Shelter	15,265	15,265
Other programs	13,027	23,062
	<u>\$ 87,624</u>	<u>\$ 86,227</u>

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Net assets of \$218,947 and \$145,519 were released from donor restrictions, during the fiscal years ended September 30, 2014 and 2013, 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, 2014 and 2013, the amount designated for building and program expansion was \$1,500,000 and \$200,890, respectively. The net increase in net assets designated for building and program expansion between the two years was due to the receipt of real estate taxes previously paid, the expenses to prepare the building for service, and board decision to commit additional funds for future expansion projects; however, the building was not placed in service as of September 30, 2014.

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, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2014</u>
Land	\$ 26,000	\$ -	\$ -	\$ 26,000
Buildings and improvements	3,162,636	39,598	(169,705)	3,032,529
Equipment	290,868	-	(5,290)	285,578
Vehicles	42,595	-	-	42,595
	<u>3,522,099</u>	<u>39,598</u>	<u>(174,995)</u>	<u>3,386,702</u>
Accumulated depreciation	<u>(1,652,261)</u>	<u>(79,831)</u>	<u>9,280</u>	<u>(1,722,812)</u>
	<u>\$ 1,869,838</u>	<u>\$ (40,233)</u>	<u>\$ (165,715)</u>	<u>\$ 1,663,890</u>

LIGHT OF LIFE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>September 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2013</u>
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
	<u>3,334,044</u>	<u>188,055</u>	<u>-</u>	<u>3,522,099</u>
Accumulated depreciation	<u>(1,558,901)</u>	<u>(93,360)</u>	<u>-</u>	<u>(1,652,261)</u>
	<u>\$ 1,117,993</u>	<u>\$ 94,695</u>	<u>\$ -</u>	<u>\$ 1,869,838</u>

During 2012, the Corporation purchased a building to be used for mission programs. As of September 30, 2014, the Corporation is waiting for proper zoning to be approved by the City of Pittsburgh. During 2014, the Corporation capitalized costs of \$26,615. The Corporation also removed previously capitalized real estate taxes from the building of \$169,704, which were refunded in 2014. This building is not being depreciated until it is placed in service and has a carrying value of \$880,237 and \$1,023,326 as of September 30, 2014 and 2013, respectively.