Light of Life Ministries, Inc.

Financial Statements

Years Ended September 30, 2015 and 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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LIGHT OF LIFE MINISTRIES, INC.

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 19, 2016

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 221,097	$ 382,962
Restricted cash, client accounts	3,605	-
Grants and accounts receivable	445,025	347,044
Inventory	15,025	6,233
Prepaid expenses	244,561	281,104
Total current assets	929,313	1,017,343
Investments	2,591,748	1,941,650
Property at cost:		
Land	72,756	26,000
Buildings and improvements	2,858,274	3,032,529
Equipment	222,770	285,578
Vehicles	57,403	42,595
Total property at cost	3,211,203	3,386,702
Less accumulated depreciation	1,506,031	1,722,812
Net property	1,705,172	1,663,890
Total Assets	$ 5,226,233	$ 4,622,883
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	$ 168,002	$ 212,814
Restricted cash, client accounts	3,605	-
Accrued payroll and payroll taxes	164,812	110,956
Unearned revenue	282,939	260,248
Total Liabilities	619,358	584,018
Net Assets:		
Unrestricted:		
Board-designated	1,422,106	1,500,000
Undesignated	3,142,059	2,451,241
Total unrestricted	4,564,165	3,951,241
Temporarily restricted net assets	42,710	87,624
Total Net Assets	4,606,875	4,038,865
Total Liabilities and Net Assets	$ 5,226,233	$ 4,622,883

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Unrestricted Net Assets:		
Support and revenues:		
Contributions	$ 4,572,938	$ 3,873,920
Government grants and user fees	453,272	531,633
In-kind and food contributions	535,233	540,950
Special events	302,072	277,619
Program fees	12,501	14,012
Interest income	109,246	70,458
Miscellaneous	2,061	11,640
Unrealized gain (loss) on investments	(140,607)	8,162
Gain (loss) on disposal of fixed assets	(3,106)	-
Released from restrictions	174,606	218,947
Total support and revenues	6,018,216	5,547,341
Expenses:		
Program:		
Mission	3,834,334	3,615,143
Management and general	491,254	551,256
Fundraising	1,079,704	1,125,780
Total expenses	5,405,292	5,292,179
Change in Unrestricted Net Assets	612,924	255,162
Temporarily Restricted Net Assets:		
Grants/contributions	129,692	220,344
Net assets released from restrictions	(174,606)	(218,947)
Change in Temporarily Restricted Net Assets	(44,914)	1,397
Change in Net Assets	568,010	256,559
Net Assets:		
Beginning of year	4,038,865	3,782,306
End of year	$ 4,606,875	$ 4,038,865

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

	Totals	Mission Program	Management and General	Fundraising
Direct expenses:				
Salaries	$ 2,049,373	$ 1,591,825	$ 267,865	$ 189,683
Benefits	772,973	617,662	85,247	70,064
Food	398,203	398,203	-	-
Building costs	294,562	270,466	14,313	9,783
Depreciation	75,381	64,091	4,659	6,631
Client costs	258,791	258,791	-	-
Insurance	53,831	48,332	3,853	1,646
Professional fees	29,266	8,040	20,876	350
Vehicle and travel	30,029	27,666	831	1,532
Telephone	43,432	33,753	4,750	4,929
Equipment	73,461	71,504	940	1,017
Supplies	42,237	39,748	1,228	1,261
Training	28,276	19,087	5,367	3,822
Postage	23,143	12,927	807	9,409
Direct mail	605,195	57,761	414	547,020
Contracted services	259,159	154,083	22,050	83,026
Advertising	41,620	42	200	41,378
Special events	73,399	621	-	72,778
In-kind donation expense	145,377	145,377	-	-
Miscellaneous	107,584	14,355	57,854	35,375
Total	$ 5,405,292	$ 3,834,334	$ 491,254	$ 1,079,704

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Totals	Mission Program	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	$ 5,292,179	$ 3,615,143	$ 551,256	$ 1,125,780

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ 568,010	$ 256,559
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	75,381	79,831
Net unrealized (gain) loss on investments	140,607	(8,162)
Loss from disposal of fixed assets	3,106	-
Change in:		
Grants and accounts receivable	(97,981)	(104,499)
Contributions receivable	-	36,717
Inventory	(8,792)	(6,233)
Prepaid expenses	36,543	(87,588)
Accounts payable	(44,812)	142,608
Accrued payroll and payroll taxes	53,856	19,445
Unearned revenue	22,691	260,248
Total adjustments	180,599	332,367
Net cash provided by (used in) operating activities	748,609	588,926
Cash Flows From Investing Activities:		
Purchase of investments	(1,527,900)	(1,701,294)
Sale of investments	737,195	1,104,873
Purchase of property, equipment, and improvements	(119,769)	(39,598)
Proceeds from disposal of property, equipment, and improvements	-	165,715
Net cash provided by (used in) investing activities	(910,474)	(470,304)
Net Increase (Decrease) in Cash and Cash Equivalents	(161,865)	118,622
Cash and Cash Equivalents:		
Beginning of year	382,962	264,340
End of year	$ 221,097	$ 382,962

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.

Subsequent to September 30, 2015, the Board of Directors of the Corporation approved the formation of a new entity for the purpose of managing certain real estate and tangible assets of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions that the principal be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned for either general or donor-imposed purposes. The Corporation did not have any permanently restricted net assets at September 30, 2015 or 2014.

Cash and Cash Equivalents

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

Restricted Cash – Funds Held for Clients

Funds held for clients include cash and cash equivalents of $3,605 and $0 for September 30, 2015, and 2014. These funds represent clients' personal funds held on their behalf and provided to the clients as needed. This began during fiscal year ended September 30, 2015. An offsetting liability is recorded for these funds, as the Corporation is only the custodian of these funds.

Investments

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

Land, Buildings and Improvements, and Equipment

Land, buildings and improvements, and equipment are stated at cost, less accumulated depreciation. Acquisitions of property and equipment in excess of $2,000 are capitalized. Maintenance, repairs, and acquisitions less than $2,000 are charged to expense. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Donated equipment is recorded at fair value at the time of donation. Depreciation expense was $75,381 and $79,831 for the years ended September 30, 2015 and 2014, respectively.

Inventories

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

Revenue Recognition

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

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

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

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

Income Taxes

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.

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, 2015 are $224,702 and $243,924, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2014 are $382,962 and $392,537, 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, 2015 and 2014 is $2,591,748 and $1,941,650, respectively.

The total returns on investments for the years ended September 30, 2015 and 2014 are summarized below:

	2015	2014
Interest income	$ 109,246	$ 70,458
Unrealized gain (loss)	(140,607)	8,162
Investment gain (loss) recognized	$ (31,361)	$ 78,620

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.

The Corporation had no investments using Level 2 or Level 3 inputs at September 30, 2015 and 2014.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2015 and 2014:

	Level 1	
	2015	2014
Mutual funds:		
Income fund:		
Bank loan	$ 392,376	$ 355,370
Bond:		
Short-term	504,327	450,170
Intermediate	950,683	415,232
High-yield	211,249	167,266
Corporate	258,019	174,210
World	228,065	372,194
	2,544,719	1,934,442
Cash and cash alternatives:		
Money market	47,029	7,208
Total	$ 2,591,748	$ 1,941,650

6. 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, 2015 and 2014 were $48,261 and $47,662, respectively.

7. 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.

8. Restricted Net Assets

Temporarily restricted net assets for September 30, 2015 and 2014 consist of:

	2015	2014
Women and Children Program Funds	$ 3,020	$ 1,964
Client Healthcare	-	808
Food	30,177	36,029
Dining, Kitchen, and Laundry	2,892	5,929
Curriculum for Education and Employment	-	14,602
High Commitment Shelter	5,771	15,265
Other programs	850	13,027
	$ 42,710	$ 87,624

Net assets of $174,606 and $218,947 were released from donor restrictions, during the fiscal years ended September 30, 2015 and 2014, respectively, by incurring expenses satisfying the restricted purpose.

9. 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, 2015 and 2014, the amount designated for building and program expansion was $1,422,106 and $1,500,000, respectively. The decrease in net assets designated for building and program expansion between the two years was due to the purchase of property and other expenses relating to a building; however, the building was not placed in service as of September 30, 2015.

10. 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.

11. Fixed Assets

	September 30, 2014	Additions	Deletions	September 30, 2015
Land	$ 26,000	$ 46,756	$ -	$ 72,756
Buildings and improvements	3,032,529	54,642	(228,897)	2,858,274
Equipment	285,578	3,563	(66,371)	222,770
Vehicles	42,595	14,808	-	57,403
	3,386,702	119,769	(295,268)	3,211,203
Accumulated depreciation	(1,722,812)	(75,381)	292,162	(1,506,031)
	$ 1,663,890	$ 44,388	$ (3,106)	$ 1,705,172

	September 30, 2013	Additions	Deletions	September 30, 2014
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
	3,522,099	39,598	(174,995)	3,386,702
Accumulated depreciation	(1,652,261)	(79,831)	9,280	(1,722,812)
	$ 1,869,838	$ (40,233)	$ (165,715)	$ 1,663,890

During 2012, the Corporation purchased a building to be used for mission programs. As of September 30, 2015, the Corporation is still waiting for proper zoning to be approved by the City of Pittsburgh. During 2015 and 2014, the Corporation capitalized costs of $45,965 and $26,615, respectively. The Corporation also removed previously capitalized real estate taxes from the building of $169,705, which were refunded in 2014. This building is not being depreciated until it is placed in service, and has a carrying value of $926,202 and $880,237 as of September 30, 2015 and 2014, respectively.

12. UNEMPLOYMENT COMPENSATION RESERVE

The Corporation has elected to self-insure against its unemployment claims and has entered into an unemployment savings program with First Nonprofit, LLC. The Corporation makes quarterly payments into its unemployment savings plan as directed by First Nonprofit, LLC and uses the funds to create a reserve from which unemployment claims are paid when incurred. The Corporation is responsible for all claims up to a maximum of $52,854, First Nonprofit, LLC is responsible for all claims exceeding $52,854 up to a maximum of $142,854.

The balance in the reserve account earns interest on the average quarterly balance of approximately 2%. When the Corporation has claims in excess of the reserve account, the Corporation is charged an interest rate of 2%. The Corporation has the option to withdraw the reserve funds from the plan at their discretion.