

Light of Life Ministries, Inc. and Affiliate

Financial Statements and Supplementary Information

Years Ended September 30, 2016 and 2015
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Light of Life Ministries, Inc.

We have audited the accompanying consolidated financial statements of Light of Life Ministries, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying financial statements of Light of Life Ministries, Inc., which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 2016 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Light of Life Ministries, Inc. and affiliate as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2015

Board of Directors
Light of Life Ministries, Inc.
Independent Auditor's Report

financial statements present fairly, in all material respects, the financial position of Light of Life Ministries, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the 2016 consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maier Duessel

Pittsburgh, Pennsylvania
March 17, 2017

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	(Consolidated)	
	2016	2015
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 213,209	\$ 221,097
Restricted cash, client accounts	8,990	3,605
Grants and accounts receivable	124,670	162,086
Pledges receivable	82,860	-
Loan receivable	149,615	-
Inventory	14,907	15,025
Prepaid expenses	181,573	244,561
Total current assets	775,824	646,374
Investments	3,257,227	2,591,748
Property at cost:		
Land	72,756	72,756
Buildings and improvements	2,909,281	2,858,274
Equipment	312,067	222,770
Vehicles	90,735	57,403
Construction in progress	186,802	-
Total property at cost	3,571,641	3,211,203
Less accumulated depreciation	1,589,141	1,506,031
Net property	1,982,500	1,705,172
Total Assets	\$ 6,015,551	\$ 4,943,294
Liabilities and Net Assets		
<hr/>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 117,246	\$ 168,002
Restricted cash, client accounts	8,990	3,605
Accrued payroll and payroll taxes	66,026	164,812
Total Liabilities	192,262	336,419
Net Assets:		
Unrestricted:		
Board-designated	1,238,334	1,422,106
Undesignated	4,552,489	3,142,059
Total unrestricted	5,790,823	4,564,165
Temporarily restricted net assets	32,466	42,710
Total Net Assets	5,823,289	4,606,875
Total Liabilities and Net Assets	\$ 6,015,551	\$ 4,943,294

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	(Consolidated)	
	2016	2015
Unrestricted Net Assets:		
Support and revenues:		
Contributions	\$ 5,112,902	\$ 4,572,938
Government grants and user fees	398,160	453,272
In-kind and food contributions	779,507	535,233
Special events	300,655	302,072
Program fees	16,226	12,501
Interest income	92,777	109,246
Dividend income	15,690	-
Miscellaneous	3,457	2,061
Unrealized gain (loss) on investments	25,646	(140,607)
Gain (loss) on disposal of fixed assets	-	(3,106)
Released from restrictions	319,982	174,606
Total support and revenues	<u>7,065,002</u>	<u>6,018,216</u>
Expenses:		
Program:		
Mission	4,192,873	3,834,334
Management and general	486,722	491,254
Fundraising	1,158,749	1,079,704
Total expenses	<u>5,838,344</u>	<u>5,405,292</u>
Change in Unrestricted Net Assets	<u>1,226,658</u>	<u>612,924</u>
Temporarily Restricted Net Assets:		
Grants/contributions	309,738	129,692
Net assets released from restrictions	(319,982)	(174,606)
Change in Temporarily Restricted Net Assets	<u>(10,244)</u>	<u>(44,914)</u>
Change in Net Assets	1,216,414	568,010
Net Assets:		
Beginning of year	4,606,875	4,038,865
End of year	<u>\$ 5,823,289</u>	<u>\$ 4,606,875</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	(Consolidated) Totals	Mission Program	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 2,061,260	\$ 1,632,616	\$ 270,319	\$ 158,325
Benefits	580,610	464,487	67,289	48,834
Food	595,223	595,223	-	-
In-kind donation expense	203,173	203,173	-	-
Building and occupancy costs	271,006	260,128	5,905	4,973
Depreciation	83,110	75,115	3,998	3,997
Client costs	303,680	303,516	82	82
Insurance	56,396	49,931	5,109	1,356
Professional fees	25,872	10,383	15,489	-
Vehicle and travel	50,197	46,241	2,574	1,382
Telephone	47,836	37,771	4,743	5,322
Equipment	51,110	47,079	1,914	2,117
Supplies	36,897	34,680	1,197	1,020
Training	20,745	16,492	2,857	1,396
Postage	7,445	724	913	5,808
Direct mail	716,499	78,848	2,872	634,779
Contracted services	304,789	155,482	45,830	103,477
Advertising	60,652	100	-	60,552
Special events	77,853	-	-	77,853
Program donations	151,415	151,415	-	-
Miscellaneous	132,576	29,469	55,631	47,476
Total	<u>\$ 5,838,344</u>	<u>\$ 4,192,873</u>	<u>\$ 486,722</u>	<u>\$ 1,158,749</u>

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

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	-	-
In-kind donation expense	145,377	145,377	-	-
Building and occupancy 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
Program donations	-	-	-	-
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. and AFFILIATE

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	(Consolidated)	
	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,216,414	\$ 568,010
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	83,110	75,381
Net unrealized (gain) loss on investments	(25,646)	140,607
Loss from disposal of fixed assets	-	3,106
Change in:		
Grants and accounts receivable	37,416	(75,290)
Pledges receivable	(82,860)	-
Inventory	118	(8,792)
Prepaid expenses	62,988	36,543
Accounts payable	(50,756)	(44,812)
Accrued payroll and payroll taxes	(98,786)	53,856
Total adjustments	(74,416)	180,599
Net cash provided by (used in) operating activities	1,141,998	748,609
Cash Flows From Investing Activities:		
Purchase of investments	(1,259,900)	(1,527,900)
Sale of investments	620,067	737,195
Issuance of loan receivable	(149,615)	-
Purchase of property, equipment, and improvements	(360,438)	(119,769)
Net cash provided by (used in) investing activities	(1,149,886)	(910,474)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,888)	(161,865)
Cash and Cash Equivalents:		
Beginning of year	221,097	382,962
End of year	\$ 213,209	\$ 221,097

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

1. ORGANIZATION

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

L2 Community Support (L2CS) is a nonprofit publicly supported, charitable corporation incorporated under the laws of the Commonwealth of Pennsylvania. L2CS began operations in July 2016. L2CS is governed by a five-member Board of Directors. The Board of Directors is appointed by a majority of the Board of Directors of Light of Life Ministries, Inc, a Pennsylvania Nonprofit Corporation, and no member may serve on the Board of Directors without being so appointed. Light of Life is considered a separate, but related nonprofit and is considered to have a controlling financial interest in L2CS as a result of its ability to appoint all of the Board of Directors of L2CS. L2CS services the needs of the poor and homeless by providing emergency shelter, housing, and residential services to the homeless and persons with chronic mental illness. Residential services include, but are not limited to, teaching and assisting eligible individuals how to live independently in the community, how to prepare meals, budget money, and manage medications. Light of Life Ministries, Inc. provides services and rental space to L2CS so it can conduct its charitable activities, and all budgetary arrangements between the two organizations are overseen and approved by Allegheny County, Pennsylvania.

The September 30, 2015 financial statements include the accounts of Light of Life Ministries, Inc. The September 30, 2016 consolidated financial statements of Light of Life Ministries, Inc. and Affiliate (Corporation) include the following corporations: Light of Life Ministries, Inc. and L2CS. During the year ended September 30, 2016, Light of Life Ministries, Inc. contributed \$175,050 to L2CS to support L2CS operations until the grant revenue was received. These contributions as well as all significant inter-entity balances and transactions have been eliminated in consolidation.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 or 2015.

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 \$8,990 and \$3,605 for September 30, 2016, and 2015, respectively. These funds represent clients' personal funds held on their behalf and provided to the clients as needed. An offsetting liability is recorded for these funds, as the Corporation is only the custodian of these funds.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Grants and Accounts Receivable

Grants and accounts receivable represent amounts due from funding sources for eligible expenditures incurred prior to reimbursement. Management has determined that no allowances were considered necessary at September 30, 2016 and 2015. All receivables are expected to be collected in one year.

Pledges Receivable

Pledges receivable are recorded as unrestricted and temporarily restricted and are recorded at fair value. When estimating the fair value of the pledges receivable, management considers each pledge instrument individually. The relationship with the donor, the donor's history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Uncollectible pledges receivable are expected to be immaterial and, therefore, no allowance for uncollectible pledges receivable is recorded as of September 30, 2016 and 2015.

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 \$83,110 and \$75,381 for the years ended September 30, 2016 and 2015, 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.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Revenue Recognition

Revenue from government grants, user fees, and program service fees are recognized at the time the services are performed. 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

Light of Life Ministries, Inc. 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. Light of Life Ministries, Inc. annually files a Form 990 as applicable. L2CS has filed for its exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has filed its initial Form 990 for the three month period July 1, 2016 to September 30, 2016.

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,

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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.

Pending Accounting Standards Update

The Financial Accounting Standards Board (FASB) has issued amendments to the FASB Accounting Standards Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on the Corporation's financial statements.

ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," effective for the Corporation's financial statements for the year ending September 30, 2020. This amendment provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized.

ASU No. 2016-02, "*Leases (Topic 842)*," effective for the Corporation's financial statements for the year ending September 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Disclosures will also be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU No. 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” effective for the Corporation’s financial statements for the year ending September 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information of liquidity, methods to allocate costs among program and support functions, and underwater donor-restricted endowment.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements for the year ended September 30, 2015 to conform to the current year’s presentation.

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

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 are \$222,199 and \$276,575, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2015 are \$224,702 and \$243,924, 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, 2016 and 2015 is \$3,257,227 and \$2,591,748, respectively.

The total returns on investments for the years ended September 30, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 108,467	\$ 109,246
Unrealized gain (loss)	<u>25,646</u>	<u>(140,607)</u>
Investment gain (loss) recognized	<u>\$ 134,113</u>	<u>\$ (31,361)</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.

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2016 and 2015:

	Level 1	
	2016	2015
Mutual funds:		
Income fund:		
Bank loan	\$ 401,739	\$ 392,376
Bond:		
Short-term	660,188	504,327
Intermediate	1,398,699	950,683
High-yield	-	211,249
Corporate	103,774	258,019
Government	424,362	-
World	-	228,065
	<u>2,988,762</u>	<u>2,544,719</u>
Cash and cash alternatives:		
Money market	18,465	47,029
Certificate of deposit	250,000	-
Total	<u>\$ 3,257,227</u>	<u>\$ 2,591,748</u>

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015 were \$48,890 and \$48,261, 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, 2016 and 2015 consist of:

	2016	2015
Women and Children Program Funds	\$ 22,167	\$ 3,020
Food	-	30,177
Dining, Kitchen, and Laundry	-	2,892
High Commitment Shelter	-	5,771
Men's Recovery	1,275	-
Other programs	9,024	850
	<u>\$ 32,466</u>	<u>\$ 42,710</u>

Net assets of \$319,982 and \$174,606 were released from donor restrictions, during the fiscal years ended September 30, 2016 and 2015, 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

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

portion of the unrestricted net assets for building and program expansion. At September 30, 2016 and 2015, the amount designated for building and program expansion was \$1,238,334 and \$1,422,106, respectively. The decrease in net assets designated for building and program expansion between the two years was due to legal, architectural services, engineering fees, and other expenses relating to a building; however, the building was not placed in service as of September 30, 2016.

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

	<u>September 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2016</u>
Land	\$ 72,756	\$ -	\$ -	\$ 72,756
Buildings and improvements	2,858,274	51,007	-	2,909,281
Equipment	222,770	89,297	-	312,067
Vehicles	57,403	33,332	-	90,735
Construction in progress	-	186,802	-	186,802
	<u>3,211,203</u>	<u>360,438</u>	<u>-</u>	<u>3,571,641</u>
Accumulated depreciation	<u>(1,506,031)</u>	<u>(83,110)</u>	<u>-</u>	<u>(1,589,141)</u>
	<u>\$ 1,705,172</u>	<u>\$ 277,328</u>	<u>\$ -</u>	<u>\$ 1,982,500</u>

	<u>September 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2015</u>
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
	<u>3,386,702</u>	<u>119,769</u>	<u>(295,268)</u>	<u>3,211,203</u>
Accumulated depreciation	<u>(1,722,812)</u>	<u>(75,381)</u>	<u>292,162</u>	<u>(1,506,031)</u>
	<u>\$ 1,663,890</u>	<u>\$ 44,388</u>	<u>\$ (3,106)</u>	<u>\$ 1,705,172</u>

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

During 2012, the Corporation purchased a building to be used for mission programs. As of September 30, 2016, the Corporation was still waiting for proper zoning to be approved by the City of Pittsburgh. On February 2, 2017, the Corporation received zoning approval subject to a 30-day appeals process. During 2016, the Corporation capitalized costs of \$186,802 under construction in progress. During 2015, the Corporation capitalized costs of \$45,965 under improvements for this building. This building is not being depreciated until it is placed in service, and has a carrying value of \$926,202 as of both September 30, 2016 and 2015.

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 \$108,584, First Nonprofit, LLC is responsible for all claims exceeding \$108,584 up to a maximum of \$217,168.

The balance in the reserve account was \$42,493 at September 30, 2016 and \$0 at September 30, 2015 and earns interest on the average quarterly balance of approximately 2%. The balance is included in prepaid expenses on the statement of financial position. 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.

13. LINES OF CREDIT

The Corporation has two lines of credit with two regional financial institutions: one for \$350,000 and one for \$100,000, both at interest rates of 4.50%. As of September 30, 2016 and 2015, the outstanding balance of the line of credits was \$0.

14. TRANSACTIONS WITH FAMILY GUIDANCE, INC.

On June 30, 2016, the Corporation entered into a credit and financial support agreement with Family Guidance, Inc., a 501 (c)(3) operating in the Pittsburgh market with similar programs as the Corporation, in which Family Guidance, Inc. may borrow up to \$600,000 from the Corporation to be split evenly between contributions and loans. As of September 30, 2016, the loan receivable had a balance of \$149,615, which was paid December 14, 2016. This agreement will end on

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

February 28, 2018, when all unpaid principal and interest on this agreement is due. The loan is secured by Family Guidance, Inc.'s escrow account from proceeds of the sale of capital assets as described in the credit and financial support agreement.

In addition, the Corporation provides administrative and fundraising services to Family Guidance, Inc. for expenses as incurred under a management agreement entered into on June 30, 2016. Family Guidance, Inc. incurred approximately \$24,000 for the period June 30, 2016 through September 30, 2016 in expenses related to the management agreement. As of September 30, 2016, Family Guidance owed approximately \$2,500 for expenses incurred.

Family Guidance, Inc. also entered into a lease agreement with the Corporation beginning June 30, 2016 for the use of the Corporation's property. Lease rental expense for this operating lease is \$2,366.67 per month.

Family Guidance, Inc. and the Corporation remain two separate entities as of September 30, 2016.

Supplementary Information

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2016

Assets	Light of Life Ministries, Inc	L2 Community Support	Subtotal	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 180,966	\$ 32,243	\$ 213,209	\$ -	\$ 213,209
Restricted cash, client accounts	8,990	-	8,990	-	8,990
Grants and accounts receivable	40,921	83,749	124,670	-	124,670
Pledges receivable	82,860	-	82,860	-	82,860
Loan receivable	149,615	-	149,615	-	149,615
Inventory	14,907	-	14,907	-	14,907
Prepaid expenses	166,681	14,892	181,573	-	181,573
Total current assets	644,940	130,884	775,824	-	775,824
Investments	3,257,227	-	3,257,227	-	3,257,227
Property at cost:					
Land	72,756	-	72,756	-	72,756
Buildings and improvements	2,909,281	-	2,909,281	-	2,909,281
Equipment	312,067	-	312,067	-	312,067
Vehicles	90,735	-	90,735	-	90,735
Construction in progress	186,802	-	186,802	-	186,802
Total property at cost	3,571,641	-	3,571,641	-	3,571,641
Less accumulated depreciation	1,589,141	-	1,589,141	-	1,589,141
Net property	1,982,500	-	1,982,500	-	1,982,500
Total Assets	\$ 5,884,667	\$ 130,884	\$ 6,015,551	\$ -	\$ 6,015,551

(Continued)

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2016

(Continued)

	Light of Life Ministries, Inc	L2 Community Support	Subtotal	Eliminations	Total
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 86,429	\$ 30,817	\$ 117,246	\$ -	\$ 117,246
Restricted cash, client accounts	8,990	-	8,990	-	8,990
Accrued payroll and payroll taxes	66,026	-	66,026	-	66,026
Total Liabilities	161,445	30,817	192,262	-	192,262
Net Assets:					
Unrestricted:					
Board-designated	1,238,334	-	1,238,334	-	1,238,334
Undesignated	4,452,422	100,067	4,552,489	-	4,552,489
Total unrestricted	5,690,756	100,067	5,790,823	-	5,790,823
Temporarily restricted net assets	32,466	-	32,466	-	32,466
Total Net Assets	5,723,222	100,067	5,823,289	-	5,823,289
Total Liabilities and Net Assets	\$ 5,884,667	\$ 130,884	\$ 6,015,551	\$ -	\$ 6,015,551

(Concluded)

LIGHT OF LIFE MINISTRIES, INC. and AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	Light of Life Ministries, Inc	L2 Community Support	Subtotal	Eliminations	Total
Unrestricted Net Assets:					
Support and revenues:					
Contributions	\$ 5,112,902	\$ 175,050	\$ 5,287,952	\$ (175,050)	\$ 5,112,902
Government grants and user fees	314,411	83,749	398,160	-	398,160
In-kind and food contributions	779,507	-	779,507	-	779,507
Special events	300,655	-	300,655	-	300,655
Program fees	16,226	-	16,226	-	16,226
Interest income	92,777	-	92,777	-	92,777
Dividend income	15,690	-	15,690	-	15,690
Miscellaneous	3,457	-	3,457	-	3,457
Unrealized gain (loss) on investments	25,646	-	25,646	-	25,646
Gain (loss) on disposal of fixed assets	-	-	-	-	-
Released from restrictions	319,982	-	319,982	-	319,982
Total support and revenues	6,981,253	258,799	7,240,052	(175,050)	7,065,002
Expenses:					
Program:					
Mission	4,219,972	147,951	4,367,923	(175,050)	4,192,873
Management and general	480,272	6,450	486,722	-	486,722
Fundraising	1,154,418	4,331	1,158,749	-	1,158,749
Total expenses	5,854,662	158,732	6,013,394	(175,050)	5,838,344
Change in Unrestricted Net Assets	1,126,591	100,067	1,226,658	-	1,226,658
Temporarily Restricted Net Assets:					
Grants/contributions	309,738	-	309,738	-	309,738
Net assets released from restrictions	(319,982)	-	(319,982)	-	(319,982)
Change in Temporarily Restricted Net Assets	(10,244)	-	(10,244)	-	(10,244)
Change in Net Assets	1,116,347	100,067	1,216,414	-	1,216,414
Net Assets:					
Beginning of year	4,606,875	-	4,606,875	-	4,606,875
End of year	<u>\$ 5,723,222</u>	<u>\$ 100,067</u>	<u>\$ 5,823,289</u>	<u>\$ -</u>	<u>\$ 5,823,289</u>