

Light of Life Ministries, Inc. and Affiliate

Financial Statements
and Supplementary Information

Years Ended September 30, 2017 and 2016
with Independent Auditor's Report

MaherDuessel

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LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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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 statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the 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
August 14, 2018

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	2017	2016
Assets		
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Current assets:		
Cash and cash equivalents	\$ 376,694	\$ 213,209
Restricted cash, client accounts	14,449	8,990
Grants and accounts receivable	108,496	124,670
Pledges receivable	-	82,860
Loan receivable	150,385	149,615
Inventory	12,353	14,907
Prepaid expenses	169,818	181,573
Total current assets	832,195	775,824
Investments	3,313,385	3,257,227
Property at cost:		
Land	72,756	72,756
Buildings and improvements	3,077,634	2,909,281
Equipment	387,573	312,067
Vehicles	93,098	90,735
Construction in progress	267,242	186,802
Total property at cost	3,898,303	3,571,641
Less accumulated depreciation	1,662,038	1,589,141
Net property	2,236,265	1,982,500
Total Assets	\$ 6,381,845	\$ 6,015,551
Liabilities and Net Assets		
<hr/>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 172,621	\$ 117,246
Restricted cash, client accounts	14,449	8,990
Accrued payroll and payroll taxes	117,553	66,026
Total Liabilities	304,623	192,262
Net Assets:		
Unrestricted:		
Board-designated	1,063,161	1,238,334
Undesignated	5,001,140	4,552,489
Total unrestricted	6,064,301	5,790,823
Temporarily restricted net assets	12,921	32,466
Total Net Assets	6,077,222	5,823,289
Total Liabilities and Net Assets	\$ 6,381,845	\$ 6,015,551

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Unrestricted Net Assets:		
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Support and revenues:		
Contributions	\$ 5,017,806	\$ 5,112,902
Government grants and user fees	514,969	398,160
In-kind and food contributions	850,985	779,507
Special events	355,804	300,655
Program fees	11,521	16,226
Rental income	28,400	-
Interest income	114,390	92,777
Dividend income	24	15,690
Miscellaneous	8,295	3,457
Unrealized gain (loss) on investments	(51,401)	25,646
Released from restrictions	155,848	319,982
	7,006,641	7,065,002
Expenses:		
Program:		
Mission	4,917,011	4,192,873
Management and general	499,996	486,722
Fundraising	1,316,156	1,158,749
	6,733,163	5,838,344
	Change in Unrestricted Net Assets	1,226,658
Temporarily Restricted Net Assets:		
<hr/>		
Grants/contributions	136,303	309,738
Net assets released from restrictions	(155,848)	(319,982)
	Change in Temporarily Restricted Net Assets	(10,244)
Change in Net Assets	253,933	1,216,414
Net Assets:		
<hr/>		
Beginning of year	5,823,289	4,606,875
End of year	\$ 6,077,222	\$ 5,823,289

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	Totals	Mission Program	Management and General	Fundraising
Direct expenses:				
Salaries	\$ 2,285,763	\$ 1,850,420	\$ 263,269	\$ 172,074
Benefits	686,589	547,187	76,390	63,012
Food	751,296	751,296	-	-
In-kind donation expense	161,617	161,617	-	-
Building and occupancy costs	352,821	342,875	6,651	3,295
Depreciation	94,919	84,659	5,353	4,907
Client costs	408,221	408,191	30	-
Insurance	49,503	42,419	5,552	1,532
Professional fees	33,997	16,532	17,465	-
Vehicle and travel	57,367	50,643	1,084	5,640
Telephone	65,853	54,584	5,430	5,839
Equipment	75,874	70,704	2,589	2,581
Supplies	49,830	46,702	1,758	1,370
Training	15,064	14,030	668	366
Postage	6,070	959	670	4,441
Direct mail	693,568	71,386	1,979	620,203
Contracted services	385,584	204,976	36,922	143,686
Advertising	73,020	-	640	72,380
Special events	91,604	93	-	91,511
Program donations	198,982	172,182	25,000	1,800
Miscellaneous	195,621	25,556	48,546	121,519
Total	\$ 6,733,163	\$ 4,917,011	\$ 499,996	\$ 1,316,156

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	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	\$ 5,838,344	\$ 4,192,873	\$ 486,722	\$ 1,158,749

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 253,933	\$ 1,216,414
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	94,919	83,110
Net unrealized (gain) loss on investments	51,401	(25,646)
Accrued interest receivable	(770)	-
Change in:		
Grants and accounts receivable	16,174	37,416
Pledges receivable	82,860	(82,860)
Inventory	2,554	118
Prepaid expenses	11,755	62,988
Accounts payable	55,375	(50,756)
Accrued payroll and payroll taxes	51,527	(98,786)
Total adjustments	365,795	(74,416)
Net cash provided by (used in) operating activities	619,728	1,141,998
Cash Flows From Investing Activities:		
Purchase of investments	(923,215)	(1,259,900)
Sale of investments	815,656	620,067
Issuance of loan receivable	-	(149,615)
Purchase of property, equipment, and improvements	(348,684)	(360,438)
Net cash provided by (used in) investing activities	(456,243)	(1,149,886)
Net Increase (Decrease) in Cash and Cash Equivalents	163,485	(7,888)
Cash and Cash Equivalents:		
Beginning of year	213,209	221,097
End of year	\$ 376,694	\$ 213,209

See accompanying notes to financial statements.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 and 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 years ended September 30, 2017 and 2016, Light of Life Ministries, Inc. contributed \$665,000 and \$175,050, respectively, 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, 2017 AND 2016

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, 2017 or 2016.

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 \$14,449 and \$8,990 for September 30, 2017, and 2016, 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, 2017 AND 2016

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, 2017 and 2016. 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, 2017 and 2016.

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 \$94,919 and \$83,110 for the years ended September 30, 2017 and 2016, 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, 2017 AND 2016

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. and L2CS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and have been classified as organizations that are not private foundations. Light of Life Ministries, Inc. and L2CS annually file a Form 990 as applicable.

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. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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. The Penn Free and Housing and Urban Development Grants received by L2CS were not continued for the fiscal year ending September 30, 2018. Grant revenue from these two sources amounts to approximately \$290,000.

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. Disclosures will also be

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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.

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. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 are \$391,143 and \$411,052, respectively. Book balance and bank balance of all cash and cash equivalents at September 30, 2016 are \$222,199 and \$276,575, 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, 2017 and 2016 is \$3,313,385 and \$3,257,227, respectively.

The total returns on investments for the years ended September 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 114,414	\$ 108,467
Unrealized gain (loss)	<u>(51,401)</u>	<u>25,646</u>
Investment gain (loss) recognized	<u>\$ 63,013</u>	<u>\$ 134,113</u>

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Corporation to classify assets and liabilities carried at fair value based on observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by the topic are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

Level 2: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of September 30, 2017 and 2016:

	Level 1	
	2017	2016
Mutual funds:		
Income fund:		
Bank loan	\$ 460,912	\$ 401,739
Bond:		
Short-term	731,664	660,188
Intermediate	1,073,552	1,398,699
Corporate	145,502	103,774
Government	393,946	424,362
	<u>2,805,576</u>	<u>2,988,762</u>
Cash and cash alternatives:		
Money market	7,809	18,465
Certificate of deposit	500,000	250,000
Total	<u>\$ 3,313,385</u>	<u>\$ 3,257,227</u>

Investments include two certificates of deposit. The certificates of deposit are FDIC insured. The certificates of deposit bear interest ranging from 1.80% to 1.95%. There are penalties for early withdrawal; however, any penalty for early withdrawal would not have a material effect on the financial statements.

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.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Expenses under the retirement plan for the years ended September 30, 2017 and 2016 were \$45,601 and \$48,890, 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, 2017 and 2016 consist of:

	2017	2016
Women and Children Program Funds	\$ -	\$ 22,167
Food	2,921	-
Capital improvements	10,000	-
Men's Recovery	-	1,275
Other programs	-	9,024
	<u>\$ 12,921</u>	<u>\$ 32,466</u>

Net assets of \$155,848 and \$319,982 were released from donor restrictions, during the fiscal years ended September 30, 2017 and 2016, 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, 2017 and 2016, the amount designated for building and program expansion was \$1,063,161 and

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

\$1,238,334, 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, 2017.

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, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2017</u>
Land	\$ 72,756	\$ -	\$ -	\$ 72,756
Buildings and improvements	2,909,281	168,353	-	3,077,634
Equipment	312,067	75,506	-	387,573
Vehicles	90,735	24,385	(22,022)	93,098
Construction in progress	186,802	261,990	(181,550)	267,242
	<u>3,571,641</u>	<u>530,234</u>	<u>(203,572)</u>	<u>3,898,303</u>
Accumulated depreciation	<u>(1,589,141)</u>	<u>(94,919)</u>	<u>22,022</u>	<u>(1,662,038)</u>
	<u>\$ 1,982,500</u>	<u>\$ 435,315</u>	<u>\$ (181,550)</u>	<u>\$ 2,236,265</u>

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<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>

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 2017, the Corporation capitalized costs of \$261,988 under construction in progress and placed \$181,550 into service. During 2016, the Corporation capitalized costs of \$186,802 under improvements for this building. This building is not being depreciated until it is placed in service, and has a carrying value of \$1,044,992 and \$926,202 as of September 30, 2017 and 2016, 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 \$58,410, First Nonprofit, LLC is responsible for all claims exceeding \$58,410, up to a maximum of \$148,410.

The balance in the reserve account was \$41,670 at September 30, 2017 and \$42,493 at September 30, 2016 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.

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, the loan receivable had a balance of \$150,385 and \$149,615, respectively. This agreement ended on February 28, 2018 and the agreement was not formally extended. All principal and interest were paid subsequent to year-end. 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 \$80,000 for the year ended September 30, 2017 and approximately \$24,000 for the period June 30, 2016 through September 20, 2016, in expenses related to the management agreement. As of September 30, 2017 and 2016, Family Guidance owed approximately \$0 and \$2,500, respectively, for expenses incurred.

Family Guidance, Inc. also entered into a one-year lease agreement with the Corporation beginning June 30, 2016 for the use of the Corporation's property. Lease rental income for this operating lease is \$2,366 per month. The lease was extended until June 30, 2018 and subsequently has been renewed on a month-to-month basis.

Family Guidance, Inc. and the Corporation remain two separate entities as of September 30, 2017.

SUPPLEMENTARY INFORMATION

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2017

Assets	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 260,551	\$ 116,143	\$ 376,694	\$ -	\$ 376,694
Restricted cash, client accounts	14,449	-	14,449	-	14,449
Due from L2CS	28,400	-	28,400	(28,400)	-
Grants and accounts receivable	1,591	106,905	108,496	-	108,496
Pledges receivable	-	-	-	-	-
Loan receivable	150,385	-	150,385	-	150,385
Inventory	12,353	-	12,353	-	12,353
Prepaid expenses	147,258	22,560	169,818	-	169,818
Total current assets	614,987	245,608	860,595	(28,400)	832,195
Investments	3,063,385	250,000	3,313,385	-	3,313,385
Property at cost:					
Land	72,756	-	72,756	-	72,756
Buildings and improvements	3,077,634	-	3,077,634	-	3,077,634
Equipment	387,573	-	387,573	-	387,573
Vehicles	93,098	-	93,098	-	93,098
Construction in progress	267,242	-	267,242	-	267,242
Total property at cost	3,898,303	-	3,898,303	-	3,898,303
Less accumulated depreciation	1,662,038	-	1,662,038	-	1,662,038
Net property	2,236,265	-	2,236,265	-	2,236,265
Total Assets	\$ 5,914,637	\$ 495,608	\$ 6,410,245	\$ (28,400)	\$ 6,381,845

(Continued)

LIGHT OF LIFE MINISTRIES, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2017

(Continued)

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 140,659	\$ 31,962	\$ 172,621	\$ -	\$ 172,621
Due to Light of Life	-	28,400	28,400	(28,400)	-
Restricted cash, client accounts	14,449	-	14,449	-	14,449
Accrued payroll and payroll taxes	117,553	-	117,553	-	117,553
Total Liabilities	272,661	60,362	333,023	(28,400)	304,623
Net Assets:					
Unrestricted:					
Board-designated	1,063,161	-	1,063,161	-	1,063,161
Undesignated	4,565,894	435,246	5,001,140	-	5,001,140
Total unrestricted	5,629,055	435,246	6,064,301	-	6,064,301
Temporarily restricted net assets	12,921	-	12,921	-	12,921
Total Net Assets	5,641,976	435,246	6,077,222	-	6,077,222
Total Liabilities and Net Assets	\$ 5,914,637	\$ 495,608	\$ 6,410,245	\$ (28,400)	\$ 6,381,845

(Concluded)

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
Due to Light of Life	-	-	-	-	-
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, 2017

	Light of Life Ministries, Inc.	L2 Community Support	Subtotal	Eliminations	Total
Unrestricted Net Assets:					
Support and revenues:					
Contributions	\$ 5,017,806	\$ 665,000	\$ 5,682,806	\$ (665,000)	\$ 5,017,806
Government grants and user fees	15,000	499,969	514,969	-	514,969
In-kind and food contributions	850,985	-	850,985	-	850,985
Special events	355,804	-	355,804	-	355,804
Program fees	11,521	-	11,521	-	11,521
Rental Income	28,400	-	28,400	-	28,400
Interest income	114,390	-	114,390	-	114,390
Dividend income	24	-	24	-	24
Miscellaneous	8,015	280	8,295	-	8,295
Unrealized gain (loss) on investments	(51,401)	-	(51,401)	-	(51,401)
Released from restrictions	155,848	-	155,848	-	155,848
Total support and revenues	6,506,392	1,165,249	7,671,641	(665,000)	7,006,641
Expenses:					
Program:					
Mission	4,786,327	795,684	5,582,011	(665,000)	4,917,011
Management and general	478,272	21,724	499,996	-	499,996
Fundraising	1,303,494	12,662	1,316,156	-	1,316,156
Total expenses	6,568,093	830,070	7,398,163	(665,000)	6,733,163
Change in Unrestricted Net Assets	(61,701)	335,179	273,478	-	273,478
Temporarily Restricted Net Assets:					
Grants/contributions	136,303	-	136,303	-	136,303
Net assets released from restrictions	(155,848)	-	(155,848)	-	(155,848)
Change in Temporarily Restricted Net Assets	(19,545)	-	(19,545)	-	(19,545)
Change in Net Assets	(81,246)	335,179	253,933	-	253,933
Net Assets:					
Beginning of year	5,723,222	100,067	5,823,289	-	5,823,289
End of year	<u>\$ 5,641,976</u>	<u>\$ 435,246</u>	<u>\$ 6,077,222</u>	<u>\$ -</u>	<u>\$ 6,077,222</u>

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
Rental income	-	-	-	-	-
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
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>