

LIGHTHOUSE MINISTRIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Directors
Lighthouse Ministries, Inc.
Lakeland, Florida

We have audited the accompanying statement of financial position of Lighthouse Ministries, Inc., as of December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Ministries, Inc., as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Beasley, Bryant & Company, CPA's P.A.
Beasley, Bryant & Company, CPA's P.A.
Certified Public Accountants

September 28, 2011

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2010

ASSETS	
Cash	\$ 169,061
Bond sinking fund	72,459
Bond funds	175,939
Accounts receivable	4,077
Inventory	254,985
Gift cards	10,248
Land, buildings and equipment, net of accumulated depreciation of \$1,451,941	6,509,398
Loan costs, net of accumulated amortization of \$92,457	209,031
Deposits	<u>8,496</u>
Total Assets	<u><u>\$ 7,413,694</u></u>
LIABILITIES	
Accounts payable	134,276
Deferred revenue	4,475
Customer deposits held	2,625
Accrued interest payable	20,011
Notes payable	<u>4,392,205</u>
Total Liabilities	<u>4,553,592</u>
NET ASSETS	
Unrestricted	2,805,928
Temporarily restricted funds	<u>54,174</u>
Total Net Assets	<u>2,860,102</u>
Total Liabilities and Net Assets	<u><u>\$ 7,413,694</u></u>

The notes to the Financial Statements are an integral part of this statement.

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	<u>Operating Funds</u>		<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
SUPPORT AND REVENUE			
Contributions	\$ 1,387,445		\$ 1,387,445
Foundation gifts/grants	333,145	\$ 54,174	387,319
Banquet revenue	95,559		95,559
Preschool revenue	67,825		67,825
Rental income	35,582		35,582
Thrift shoppe	1,548,217		1,548,217
Transient donations	58,054		58,054
In kind inventory	38,039		38,039
Interest income	2		2
Other income	38,972		38,972
Total Support and Revenue	<u>3,602,840</u>	<u>54,174</u>	<u>3,657,014</u>
EXPENSES			
Program services	2,663,827		2,663,827
Support services	399,892		399,892
Depreciation	185,499		185,499
Amortization	18,360		18,360
Interest	368,278		368,278
Fundraising	259,234		259,234
Total Expenses	<u>3,895,090</u>	<u>-</u>	<u>3,895,090</u>
Increase (decrease) in net assets	(292,250)	54,174	(238,076)
Net assets-beginning of year	3,020,118	78,060	3,098,178
Restrictions satisfied by payment	78,060	(78,060)	-
Net assets-end of year	<u>\$ 2,805,928</u>	<u>\$ 54,174</u>	<u>\$ 2,860,102</u>

The notes to the Financial Statements are an integral part of this statement.

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services	2010
Salaries and wages	\$ 1,377,924	\$ 246,140	\$ 1,624,064
Employee benefits	251,226	21,000	272,226
Payroll processing costs	11,514	1,559	13,073
Payroll taxes	102,214	18,830	121,044
Total salaries and related expenses	1,742,878	287,529	2,030,407
Accounting	-	8,400	8,400
Advertising	19,228	-	19,228
Auto	71,089	-	71,089
Bank and credit card	-	25,124	25,124
Banquet	22,753	-	22,753
Benevolence and donations	5,339	-	5,339
Consulting fee	47,573	-	47,573
Contract labor	504	-	504
Convention	-	11,368	11,368
Donations	575	-	575
Dues & subscriptions	9,731	-	9,731
Education	125	-	125
Entertainment	-	60	60
Small Equipment	8,065	-	8,065
Food	14,199	-	14,199
Food Ministry Outreach	110,018	-	110,018
Insurance	37,001	10,121	47,122
Learning center	3,052	-	3,052
Licenses & fees	1,743	-	1,743
Meetings	-	3,933	3,933
Miscellaneous	31,439	-	31,439
Newsletter	9,302	-	9,302
Occupancy	333,469	-	333,469
Office	25,002	-	25,002
Postage	-	15,164	15,164
Preschool expense	5,501	-	5,501
Project green thumb	8,861	-	8,861
Public relations	-	8,531	8,531
Repairs & maintenance	44,184	-	44,184
Supplies	65,898	-	65,898
Sustenance	15,504	-	15,504
Telephone	29,662	29,662	59,324
Winter Wonderland	1,132	-	1,132
Totals	<u>\$ 2,663,827</u>	<u>\$ 399,892</u>	<u>\$ 3,063,719</u>

The notes to the Financial Statements are an integral part of this statement.

**LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

	2010
CASH FLOWS FROM OPERATING ACTIVITES	
Net increase (decrease) in net assets	\$ (238,076)
Adjustments to reconcile net income to net cash provided by operating activites:	
Depreciation	185,499
Amortization	18,360
(Increase) decrease in operating assets	
Accounts receivable	4,602
Inventory	(7,028)
Publix gift cards	31,640
Bond fund	(243,067)
Deposits	(5,660)
Increase (decrease) in operating liabilities	
Accrued liabilities	2,625
Accounts payable	(15,454)
	(266,559)
CASH FLOWS FROM INVESTING ACTIVITES	
Payments to purchase assets	(24,500)
	(24,500)
CASH FLOWS FROM FINANCING ACTIVITES	
New borrowings	937,350
Principal reductions in long term debt	(553,469)
Bond issue costs	(101,833)
Increase in accrued interest payable	2,153
	284,201
Net cash provided (used) in financing activites	284,201
Net increase (decrease) in cash	(6,858)
Cash at beginning of year	175,919
Cash at end of year	\$ 169,061

Interest paid in 2010 was \$368,278.

The notes to the Financial Statements are an integral part of this statement.

LIGHTHOUSE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Lighthouse Ministries, Inc. operates a mission in Lakeland, Florida that provides housing and meals for the destitute and the “down and out” and in connection therewith to spread the Gospel of the Lord Jesus Christ. The Organization operates two shelters – a 104-bed men’s shelter and an 88-bed shelter for women and children. The shelter for women and children opened in November 2001. The Organization is supported primarily through donor contributions. Ministry services were expanded in 2003 with a preschool, the operation of four thrift shoppes, a transitional dorm for women and children to provide beds for those who are not ready to go into a longer-term program, and opened the Lighthouse Adult Learning Center for high school diploma, GED, and job preparedness. The Organization currently operates six thrift shoppes.

Accounting

The statements, which are presented on the accrual basis of accounting, have been prepared to focus on the entity as a whole and to present net assets and revenues and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investment for general or specific purposes. Currently there are no permanently restricted assets.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by certain actions or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Mission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2010 there were no cash equivalents.

Contributions Received

The Organization reports donor-restricted contributions whose restrictions are met in the same accounting period as unrestricted support

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred.

Promises to Give

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Income Taxes

The Mission is a non-profit organization exempt from income taxes under applicable provision of the state and federal income tax codes 501(3)(c) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Inventory

Inventory consists of items donated to the thrift shoppes. Inventory is valued at market value at the date of donation. Inventory also consists of food boxes and meal preparation supplies valued at cost.

Long- Lived Assets

Gifts of long-lived assets shall be reported as unrestricted support.

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Compensated Absences

Employees of the Company are entitled to paid vacations, sick day and other time off depending on job classifications, length of service and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs when paid to employees.

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are recorded at cost at date of acquisition or fair market value at date of donation. Depreciation of buildings and equipment provided over the estimated useful lives of the respective assets using the straight-line method. It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their uses and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The following is a summary of plant assets:

Land	\$ 1,535,436
Buildings	6,004,931
Furniture, fixtures and equipment	268,995
Preschool equipment	12,439
Signage	29,662
Vehicles	<u>109,876</u>
	7,961,339
Less: Accumulated depreciation	<u>(1,451,941)</u>
	<u>\$ 6,509,398</u>

Depreciation for the year ended December 31, 2010 was \$185,499.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Feeding Ministry	\$ 31,730
Kidcare	10,000
Numerous Program Staff	<u>12,444</u>
	<u>\$ 54,174</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE D – NOTES PAYABLE

Notes payable as of December 31, 2010 consist of the following:

First Mortgage Bond Issue to Trust Management, Inc. at various interest rates 5.25% to 8.0%. Initial sale of \$1,543,750 in bonds, collateralized by real estate. Principal and interest payments due semiannually at various amounts until maturity. The bonds mature in September 2035.	\$ 1,543,750
Note payable to Ford Motor Credit, interest at 10.19%, collateralized by vehicle, payable in monthly principal & interest payments of \$532 monthly, maturing September 2011.	4,095
Note payable to bank, interest at 7.25%, collateralized by real and personal property, payable in monthly principal and interest payments of \$2,669 ballooning in February 2012, maturing February 2012.	302,322
Note payable to Russ Reid, non interest bearing, due in monthly payments of \$1,000.	35,657
Note payable to individual, interest at 10%, collateralized by real property, interest payable annually for two years, principal due June 2011.	100,000
Mortgage payable to Maynard Clark, interest at 7%, collateralized by real property, payable in monthly principal and interest payments of \$15,461.95 ballooning in May 2014.	2,259,031
\$200,000 Line of credit payable on demand at prime with a floor of 5%.	<u>147,350</u>
Total	<u>\$4,392,205</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE D – continued

Required future payments:

2011	\$ 355,892
2012	385,787
2013	92,456
2014	2,213,319
2015	42,750
Thereafter	<u>1,302,001</u>
Total	<u>\$4,392,205</u>

A bond program was set up with Trust Management, Inc. in 2010 for the sale of \$1,925,000 in bonds. The bonds mature in September 2035. Bonds payable at 12/31/10 were \$1,543,750. The cost of these bond proceeds was \$101,833 to be amortized over the life of the bonds. Interest expense in 2010 was \$368,278.

NOTE E – CONCENTRATION OF RISK

The Organization is supported primarily through donor contributions. At various times during 2010, cash balances were in excess of FDIC insured limits.

NOTE F –EMPLOYEE BENEFIT PLAN

The Organization contributes to a 401K plan. The Organization matches dollar for dollar up to 4% of elective deferrals. The amount contributed in 2010 was \$14,359.

NOTE G – RELATED PARTIES

Board members and President contributed \$43,867 to the Organization during 2010.

NOTE H – OCCUPANCY EXPENSES

Occupancy expenses on the statement of functional expenses include:

Pest control	\$ 1,352
Rent expense	91,800
Security	2,579
Utilities	<u>237,738</u>
Total	<u>\$333,469</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE G – LEASE COMMITMENTS

The Company leases equipment and real property under non-cancelable lease agreements that expire from 2010 through 2013. Future minimum payments required under the leases are as follows:

2011	\$ 87,500
2012	54,000
2013	35,000
2014	0
2015	<u>0</u>
Total	<u>\$176,500</u>

Total paid on leases during 2010 was \$72,100.

NOTE H – ADVERTISING/FUNDRAISING COSTS

Advertising costs are expensed as incurred. Advertising expense for 2010 is \$19,228. Fundraising costs are expensed as incurred. Fundraising expense for 2010 is \$259,234.