

LIGHTHOUSE MINISTRIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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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, 2008 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, 2008, 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, Speed & Company, PA
Certified Public Accountants

September 25, 2009

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2008

ASSETS	
Cash	\$ 120,179
Bond sinking fund	5,720
Accounts receivable	1,850
Inventory	208,000
Land, buildings and equipment, net of accumulated depreciation of \$1,139,959	4,238,071
Loan costs, net of accumulated amortization of \$57,580	118,940
Deposits	<u>2,836</u>
 Total Assets	 <u><u>\$ 4,695,596</u></u>
 LIABILITIES	
Accounts payable	125,838
Deferred revenue	1,355
Accrued interest payable	12,245
Notes payable	<u>1,699,155</u>
 Total Liabilities	 <u>1,838,593</u>
 NET ASSETS	
Unrestricted	2,850,156
Temporarily restricted funds	<u>6,847</u>
 Total Net Assets	 <u>2,857,003</u>
 Total Liabilities and Net Assets	 <u><u>\$ 4,695,596</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, 2008**

	<u>Operating Funds</u>		<u>2008</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
SUPPORT AND REVENUE			
Contributions and bequests	\$ 1,565,641	\$ 20,000	\$ 1,585,641
Banquet revenue	101,843		101,843
Preschool revenue	157,862		157,862
Rental income	23,010		23,010
Thrift shoppe	436,807		436,807
Transient donations	73,687		73,687
In kind real estate	250,000		250,000
Interest income	475		475
Other income	38,452		38,452
Total Support and Revenue	<u>2,647,777</u>	<u>20,000</u>	<u>2,667,777</u>
EXPENSES			
Program services	1,864,332		1,864,332
Support services	275,342		275,342
Depreciation	132,656		132,656
Amortization	11,479		11,479
Interest	106,760		106,760
Fundraising	219,670		219,670
Total Expenses	<u>2,610,239</u>	<u>-</u>	<u>2,610,239</u>
Increase (decrease) in net assets	37,538	20,000	57,538
Net assets-beginning of year	2,730,965	68,500	2,799,465
Restrictions satisfied by payment	82,013	(82,013)	-
Net assets-end of year	<u>\$ 2,850,516</u>	<u>\$ 6,487</u>	<u>\$ 2,857,003</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, 2008

	Program Services and Fundraising	Supporting Services	2008
Salaries and wages	\$ 837,467	\$ 136,203	\$ 973,670
Employee benefits	164,388	20,700	185,088
Payroll processing costs	8,436	1,261	9,697
Payroll taxes	59,509	10,420	69,929
Total salaries and related expenses	1,069,800	168,584	1,238,384
Advertising	13,240		13,240
Auto		38,024	38,024
Bank and credit card		10,786	10,786
Banquet	21,673		21,673
Benevolence and donations	3,610		3,610
Capital campaign	2,389		2,389
Contract labor	62,446		62,446
Convention		7,498	7,498
Donations	150		150
Dues & subscriptions	10,583		10,583
Education	1,426		1,426
Equipment and leases	10,881		10,881
Food	44,490		44,490
Food Ministry Outreach	229,758		229,758
Insurance	46,116		46,116
Kid's technology center	7,816		7,816
Learning center	2,149		2,149
Licenses & fees	915		915
Miscellaneous	1,175		1,175
Newsletter	20,606		20,606
Occupancy	219,803		219,803
Office	20,025		20,025
Postage		9,125	9,125
Preschool expense	2,512		2,512
Professional services		7,688	7,688
Project green thumb	4,237		4,237
Public relations		5,976	5,976
Repairs & maintenance - equipment	20,239		20,239
Supplies	37,159		37,159
Sustenance	10,165		10,165
Telephone		26,429	26,429
Travel		1,232	1,232
Winter Wonderland	969		969
Totals	<u>\$ 1,864,332</u>	<u>\$ 275,342</u>	<u>\$ 2,139,674</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, 2008

	2008
CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase (decrease) in net assets	\$ 57,538
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	132,656
Amortization	11,479
In kind contribution real estate	(250,000)
(Increase) decrease in operating assets	
Accounts receivable	(862)
Inventory	(58,000)
Bond fund	194
Increase (decrease) in operating liabilities	
Accrued liabilities	642
Accounts payable	40,496
	(65,857)
Net cash provided (used) by operating activities	(65,857)
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments to purchase assets	(493,081)
Net cash provided (used) in investing activities	(493,081)
CASH FLOWS FROM FINANCING ACTIVITIES	
New borrowings	550,000
Principal reductions in long term debt	(24,644)
Increase in accrued interest payable	7,904
	533,260
Net cash provided (used) in financing activities	533,260
Net increase (decrease) in cash	(25,678)
Cash at beginning of year	145,857
Cash at end of year	\$ 120,179

Interest paid in 2008 was \$106,760.

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

LIGHTHOUSE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 a 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 two 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. A third thrift shoppe was added in 2008.

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.

The policy for uncertain tax positions is still FASB Statement No. 5. Fin 48 will be implemented for December 31, 2009 and thereafter.

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, 2008 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, 2008

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, 2008, 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.

Long- Lived Assets

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

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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	\$ 752,759
Buildings	4,266,913
Furniture, fixtures and equipment	220,421
Preschool equipment	12,439
Signage	15,623
Vehicles	<u>109,876</u>
	5,378,031
Less: Accumulated depreciation	<u>(1,139,960)</u>
	<u>\$ 4,238,071</u>

Depreciation for the year ended December 31, 2008 was \$132,656.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Kidcare operations	\$ 2,478
Food Ministry Outreach	<u>4,009</u>
	<u>\$ 6,487</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE D – NOTES PAYABLE

Notes payable as of December 31, 2008 consist of the following:

First Mortgage Bond Issue to Trust Management, Inc. at 6.9% thru 12/1/2010. Initial sale of \$1,885,750 in bonds, collateralized by real estate. Interest payments due in monthly installments \$4,341, Principal payments and interest resume on 12/1/2010 at various interest rates maturing in June 2019. \$ 753,750

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. 15,245

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. 320,502

Note payable to Russ Reid, non interest bearing, due in monthly payments of \$1,000. 59,658

Note payable to individual, interest at 8%, collateralized by real property, interest payable annually for two years, principal due June 2010. 100,000

Mortgage payable to Hugh James, Inc., interest at 8%, collateralized by real property, interest payable monthly, principal due \$20,000 first year, \$40,000 second year, balance due third year, maturing May 2011. 450,000

Total \$1,699,155

Required future payments:

2009	\$	45,816
2010		203,022
2011		461,977
2012		400,933
2013		63,157
Thereafter		<u>524,250</u>
Total		<u>\$1,699,155</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE D - continued

A bond program was set up with Trust Management, Inc. in 2002 for the sale of \$1,900,000 in bonds. The bonds mature in June 2019. Bonds payable at 12/31/08 were \$753,750. The cost of these bond proceeds was \$160,580 to be amortized over the life of the bonds. Interest expense in 2008 was \$106,760. Lighthouse has a \$15,000 line of credit with a 0 balance at 12-31-08.

NOTE E – CONCENTRATION OF RISK

The Organization is supported primarily through donor contributions. At various times during 2008, 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 2008 was \$13,144.

NOTE G – RELATED PARTIES

Board members and President contributed \$53,973 to the Organization during 2008.

NOTE H – OCCUPANCY EXPENSES

Occupancy expenses on the statement of functional expenses include:

Pest control	\$ 560
Repairs & maintenance-building	10,086
Rent expense	46,106
Security	6,550
Utilities	<u>156,501</u>
Total	<u>\$219,803</u>

NOTE G – LEASE COMMITMENTS

The Company leases equipment and real property under non-cancelable lease agreements that expire from 2009 through 2013. Future minimum payments required under the leases are as follows:

2009	\$ 45,636
2010	44,453
2011	42,000
2012	42,000
2013	<u>35,000</u>
Total	<u>\$209,089</u>

Total paid on leases during 2008 was \$46,106.

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE H – ADVERTISING/FUNDRAISING COSTS

Advertising costs are expensed as incurred. Advertising expense for 2008 is \$13,240. Fundraising costs are expensed as incurred. Fundraising expense for 2008 is \$219,670.

NOTE I – CONTRIBUTIONS-IN-KIND-REAL ESTATE

\$250,000 was recorded as a bargain purchase contribution received by Lighthouse Ministries on the purchase of property on Baker Street.