

LIGHTHOUSE MINISTRIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

CONTENTS

FINANCIAL STATEMENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

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, 2009 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, 2009, 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, P.A.
Beasley, Speed & Company, PA
Certified Public Accountants

February 16, 2010

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2009

ASSETS	
Cash	\$ 175,919
Bond sinking fund	5,331
Accounts receivable	8,679
Inventory	247,957
Publix gift cards	41,888
Land, buildings and equipment, net of accumulated depreciation of \$1,266,441	6,670,398
Loan costs, net of accumulated amortization of \$74,097	125,557
Deposits	<u>2,836</u>
Total Assets	<u><u>\$ 7,278,565</u></u>
LIABILITIES	
Accounts payable	149,730
Deferred revenue	4,475
Accrued interest payable	17,858
Notes payable	<u>4,008,324</u>
Total Liabilities	<u>4,180,387</u>
NET ASSETS	
Unrestricted	3,020,118
Temporarily restricted funds	<u>78,060</u>
Total Net Assets	<u>3,098,178</u>
Total Liabilities and Net Assets	<u><u>\$ 7,278,565</u></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, 2009

	Program Services	Supporting Services	2009
Salaries and wages	\$ 1,082,147	\$ 186,322	\$ 1,268,469
Employee benefits	10,790	29,300	40,090
Payroll processing costs	9,463	1,541	11,004
Payroll taxes	82,784	14,254	97,038
Total salaries and related expenses	1,185,184	231,417	1,416,601
Advertising	26,646		26,646
Auto		58,989	58,989
Bank and credit card		15,539	15,539
Banquet	33,938		33,938
Benevolence and donations	3,222		3,222
Consulting fee	76,477		76,477
Contract labor	15,856		15,856
Convention		16,584	16,584
Donations	2,321		2,321
Dues & subscriptions	7,884		7,884
Education	926		926
Equipment and leases	23,325		23,325
Food	6,120		6,120
Food Ministry Outreach	443,685		443,685
Insurance	209,084		209,084
Learning center	2,903		2,903
Licenses & fees	3,213		3,213
Miscellaneous	10,323		10,323
Newsletter	16,736		16,736
Occupancy	288,058		288,058
Office	27,821		27,821
Postage		13,788	13,788
Preschool expense	19,126		19,126
Professional services		7,000	7,000
Project green thumb	6,140		6,140
Property tax	28,040		28,040
Public relations		9,393	9,393
Repairs & maintenance - equipment	22,675		22,675
Supplies	75,990		75,990
Sustenance	14,098		14,098
Telephone		31,333	31,333
Travel		343	343
Winter Wonderland	1,371		1,371
Totals	<u>\$ 2,551,162</u>	<u>\$ 384,386</u>	<u>\$ 2,935,548</u>

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

LIGHTHOUSE MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	<u>Operating Funds</u>		<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
SUPPORT AND REVENUE			
Contributions	\$ 1,627,634	\$ 78,060	\$ 1,705,694
Gift cards	499,700		499,700
Estates	177,195		177,195
Banquet revenue	85,052		85,052
Preschool revenue	124,198		124,198
Rental income	34,934		34,934
Thrift shoppe	947,213		947,213
Transient donations	59,236		59,236
In kind real estate	203,272		203,272
In kind vehicle	5,800		5,800
Interest income	1		1
Other income	34,590		34,590
	<u>3,798,825</u>	<u>78,060</u>	<u>3,876,885</u>
Total Support and Revenue			
	<u>3,798,825</u>	<u>78,060</u>	<u>3,876,885</u>
EXPENSES			
Program services	2,551,162		2,551,162
Support services	384,386		384,386
Depreciation	165,213		165,213
Amortization	16,517		16,517
Interest	221,281		221,281
Fundraising	265,377		265,377
	<u>3,603,936</u>	<u>-</u>	<u>3,603,936</u>
Total Expenses			
	<u>3,603,936</u>	<u>-</u>	<u>3,603,936</u>
Increase (decrease) in net assets	194,889	78,060	272,949
Net assets-beginning of year	2,818,742	6,487	2,825,229
Restrictions satisfied by payment	6,487	(6,487)	-
	<u>6,487</u>	<u>(6,487)</u>	<u>-</u>
Net assets-end of year	<u>\$ 3,020,118</u>	<u>\$ 78,060</u>	<u>\$ 3,098,178</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, 2009

	2009
CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase (decrease) in net assets	\$ 272,949
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	165,213
Amortization	16,517
In kind contribution real estate	(203,272)
(Increase) decrease in operating assets	
Accounts receivable	(6,829)
Inventory	(39,957)
Publix gift cards	(41,888)
Bond fund	389
Increase (decrease) in operating liabilities	
Accrued liabilities	3,120
Accounts payable	23,892
	190,134
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments to purchase assets	(2,449,176)
Net cash provided (used) in investing activities	(2,449,176)
CASH FLOWS FROM FINANCING ACTIVITIES	
New borrowings	2,370,000
Principal reductions in long term debt	(60,831)
Increase in accrued interest payable	5,613
	2,314,782
Net cash provided (used) in financing activities	2,314,782
Net increase (decrease) in cash	55,740
Cash at beginning of year	120,179
Cash at end of year	\$ 175,919

Interest paid in 2009 was \$221,281.

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

LIGHTHOUSE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 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. A fourth thrift shoppe was added in 2009.

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, 2009 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, 2009

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, 2009, 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, 2009

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	5,980,431
Furniture, fixtures and equipment	268,995
Preschool equipment	12,439
Signage	29,662
Vehicles	<u>109,876</u>
	7,936,839
Less: Accumulated depreciation	<u>(1,266,441)</u>
	<u>\$ 6,670,398</u>

Depreciation for the year ended December 31, 2009 was \$165,213.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Food Ministry Outreach	\$ 41,888
Learning Center	2,251
Women's program scholarships	<u>33,921</u>
	<u>\$ 78,060</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE D – NOTES PAYABLE

Notes payable as of December 31, 2009 consist of the following:

First Mortgage Bond Issue to Trust Management, Inc. at 7.0% 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.	9,742
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.	311,745
Note payable to Russ Reid, non interest bearing, due in monthly payments of \$1,000.	47,657
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.	430,000
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.	2,285,430
\$200,000 Line of credit payable on demand at prime with a floor of 5%.	<u>70,000</u>
Total	<u>\$4,008,324</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE D – continued

Required future payments:

2010	\$ 298,977
2011	507,535
2012	431,287
2013	111,706
2014	2,236,069
Thereafter	<u>422,750</u>
Total	<u>\$4,008,324</u>

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 12/31/09 were \$753,750. The cost of these bond proceeds was \$160,580 to be amortized over the life of the bonds. Interest expense in 2009 was \$221,281.

NOTE E – CONCENTRATION OF RISK

The Organization is supported primarily through donor contributions. At various times during 2009, 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 2009 was \$13,698.

NOTE G – RELATED PARTIES

Board members and President contributed \$32,881 to the Organization during 2009.

NOTE H – OCCUPANCY EXPENSES

Occupancy expenses on the statement of functional expenses include:

Pest control	\$ 1,075
Repairs & maintenance-building	8,918
Rent expense	66,000
Security	6,837
Utilities	<u>205,228</u>
Total	<u>\$288,058</u>

LIGHTHOUSE MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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:

2010	\$ 44,453
2011	42,000
2012	42,000
2013	<u>35,000</u>
Total	<u>\$163,453</u>

Total paid on leases during 2009 was \$66,000.

NOTE H – ADVERTISING/FUNDRAISING COSTS

Advertising costs are expensed as incurred. Advertising expense for 2009 is \$26,646. Fundraising costs are expensed as incurred. Fundraising expense for 2009 is \$265,377.

NOTE I – CONTRIBUTIONS-IN-KIND-REAL ESTATE

Brandon store	\$170,000
Seffner land	26,277
Orlando timeshare	<u>6,995</u>
	<u>\$203,272</u>

NOTE J – GIFT CARD CONTRIBUTIONS AND ESTATE CONTRIBUTIONS

Estate contributions of \$177,195 were one time contributions that will not occur in 2010. Gift card contributions of \$499,700 were received from one contributor for feeding ministry. This is not a reoccurring contribution.

NOTE K – BEGINNING BALANCE IN NET ASSETS

Beginning net assets were reduced by \$31,774 due to disposal of assets that were disposed of prior to 2009.

Prior year ending net assets 2008	\$2,857,003
Disposal of prior year assets	<u>(31,774)</u>
Corrected ending net assets 2008	<u>\$2,825,229</u>