

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT


To the Board of Elders and Management
Of Lighthouse Ministries of Antioch TN, Inc.

Management is responsible for the accompanying financial statements of Lighthouse Ministries of Antioch TN, Inc., which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Other Matters

The accompanying supplemental statements of financial position by fund and supplemental statements of activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. The supplemental information was subject to our compilation engagement. We have not audited or reviewed the supplemental information and do not express an opinion, a conclusion, nor provide any assurance on such information.

As discussed in Note 12 to the financial statements, the July 31, 2017 financial statements have been restated to correct a misstatement.



November 16, 2018

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 411,475	\$ 618,079
Accounts receivable, less allowance for doubtful accounts of \$477,316 and \$473,702, respectively	<u>127,639</u>	<u>95,369</u>
Total current assets	539,114	713,448
Property and equipment, net	6,788,826	6,972,089
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>59,240</u>	<u>56,981</u>
 Total assets	 <u><u>\$ 7,387,180</u></u>	 <u><u>\$ 7,742,518</u></u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 126,418	\$ 122,095
Deferred tuition and enrollment fees	354,824	289,543
Current portion of long-term debt	443,473	474,809
Current portion of capitalized lease obligation	<u>16,334</u>	<u>-</u>
Total current liabilities	941,049	886,447
Long-term debt, less current portion net of unamortized loan costs	2,102,247	2,169,977
Capitalized lease obligation, less current portion	<u>31,636</u>	<u>-</u>
Total liabilities	<u>3,074,932</u>	<u>3,056,424</u>
Net assets:		
Net assets, unrestricted	4,253,008	4,629,113
Net assets, temporarily restricted	9,240	6,981
Net assets, permanently restricted	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>4,312,248</u>	<u>4,686,094</u>
 Total liabilities and net assets	 <u><u>\$ 7,387,180</u></u>	 <u><u>\$ 7,742,518</u></u>

See accompanying notes to financial statements and independent accountants' compilation report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets:		
Unrestricted revenues and support:		
Tuition and fees, net of discounts, scholarships and financial aid	\$ 1,887,211	\$ 1,979,172
Contributions, tithes, and offerings	437,814	406,385
Other income	531,938	378,216
Cafeteria income	130,358	130,264
Summer day camp	97,073	131,731
Preschool	1,201,178	1,048,788
Special events	74,785	103,536
	<u>4,360,357</u>	<u>4,178,092</u>
 Total unrestricted revenues and support	 <u>4,360,357</u>	 <u>4,178,092</u>
 Unrestricted expenses:		
Program expenses	2,329,595	2,554,922
Support expenses		
Management and general	1,994,619	1,727,907
Fundraising	33,289	52,633
	<u>4,357,503</u>	<u>4,335,462</u>
 Total program and support expenses	 <u>4,357,503</u>	 <u>4,335,462</u>
 Depreciation and amortization	275,583	220,008
Interest and finance costs	103,376	27,699
	<u>(376,105)</u>	<u>(405,077)</u>
 (Decrease) in unrestricted net assets	 <u>(376,105)</u>	 <u>(405,077)</u>
 Changes in temporarily restricted net assets:		
Investment income	2,850	5,854
Administrative expenses	(591)	(543)
	<u>2,259</u>	<u>5,311</u>
 Increase in temporarily restricted net assets	 <u>2,259</u>	 <u>5,311</u>
 (Decrease) in net assets	 (373,846)	 (399,766)
 Net assets, beginning of year	 <u>4,686,094</u>	 <u>5,085,860</u>
 Net assets, end of year	 <u><u>\$ 4,312,248</u></u>	 <u><u>\$ 4,686,094</u></u>

See accompanying notes to financial statements and independent accountants' compilation report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities:</u>		
Decrease in net assets	\$ (373,846)	\$ (399,766)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation and amortization	275,583	220,008
Finance cost amortization	4,331	-
Investment income	(2,850)	(5,854)
Administrative expenses	591	543
Changes in operating assets and liabilities		
Accounts receivable, net	(32,271)	53,470
Accounts payable	4,323	7,031
Deferred tuition and enrollment fees	65,281	102,423
	<u>(58,858)</u>	<u>(22,145)</u>
Net cash used by operating activities		
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	(40,450)	(204,245)
Net cash used by investing activities	(40,450)	(204,245)
<u>Cash flows from financing activities:</u>		
Principal payments on notes payable	(103,396)	(79,367)
Payments on capital lease obligation	(3,900)	-
	<u>(107,296)</u>	<u>(79,367)</u>
Net cash used by financing activities		
Net decrease in cash	(206,604)	(305,757)
Cash, beginning of year	618,079	923,836
Cash, end of year	<u>\$ 411,475</u>	<u>\$ 618,079</u>
<u>Supplemental disclosures of cash flow information:</u>		
Non-cash Investing and Financing Activities:		
Purchase of property from note payable	\$ -	\$ 2,432,127
Repayment of note payable	-	224,541
Debt issuance costs	-	43,332
	<u>\$ -</u>	<u>\$ 2,700,000</u>
Equipment acquired through capital lease	<u>\$ 51,870</u>	<u>-</u>
Cash paid during the year for:		
Interest	<u>\$ 99,045</u>	<u>\$ 27,699</u>

See accompanying notes to financial statements and independent accountants' compilation report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lighthouse Ministries of Antioch TN, Inc. (the “Ministry”) was founded in 1978 to reach the Antioch community with the good news of Jesus Christ. The Ministry is a religious organization whose activities are supported by charitable contributions of its members.

The Ministry also operates a School (Lighthouse Christian School, the “School”) for the purpose of offering a quality, affordable Christ-centered education from Pre-School through the 12th grade. The School is a category II State Agency approved and is accredited by Tennessee Association of Christian Schools (TACS) every five years. All teachers are required to be certified by TACS.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Ministry has adopted the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities and all of the Codification’s content carries the same level of authority. Under Accounting Standards Codification 958, the Ministry is required to report information regarding its activities according to three classes of net assets as follows:

Net assets and changes in net assets of the Ministry are classified and reported as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed restriction which requires the use of contributed resources for specific purposes which are satisfied by either the passage of time or the Ministry’s actions.

Permanently restricted net assets – Net assets subject to donor-imposed restriction which stipulates that the contributed resources are to be maintained permanently but permits use of part or all of the income derived from the resources (e.g. endowment-type donations).

Use of Estimates

The preparation of the 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 may differ from those estimates.

Revenue Recognition

Revenues and related assets are generally recognized when earned. Any amounts received but unearned are recorded as deferred tuition and enrollment fees. Substantially all deferred revenue is related to prepaid tuition fees received by the School.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Ministry defines cash as cash on hand and deposits at financial institutions.

Accounts Receivable

Accounts receivable consist primarily of amounts due for tuition and are non-interest bearing. The Ministry provides for losses on accounts receivable using the allowance method. It is the Ministry's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected and formally approves the losses.

Property and Equipment

Property and equipment are reported at cost and includes improvements that significantly add to utility or extend useful lives. The Ministry capitalizes equipment with a cost over \$1,000 and an estimated life of three years or more. Costs of maintenance and repairs are charged to expense when paid. Depreciation is computed over the estimated useful lives of the related assets using the straight line method. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Ministry reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell. There were no impairment charges recognized during the years ended July 31, 2018 and 2017.

Deferred Tuition and Enrollment Fees

Deferred tuition and enrollment fees represent cash received in advance for the future year's tuition and enrollment fees.

Donated Services

The Ministry receives donated services that represent a substantial number of unpaid volunteers who make significant contributions of their time to enhance the Ministry's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Ministry is exempt from federal and Tennessee state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require the Ministry's management to evaluate tax positions taken by the Ministry and recognize a tax liability (or asset) if the Ministry has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Ministry's management has analyzed the tax positions taken by the Ministry and has concluded that as of July 31, 2018 no uncertain positions were taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 3 – CONCENTRATION OF RISK

The Ministry maintains cash in accounts with various financial institutions which, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of July 31, 2018, the Ministry had cash deposits in a financial institution in excess of the amount insured by the FDIC of approximately \$130,000. The Ministry has not experienced any losses in such accounts.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment in the accompanying financial statements are presented net of accumulated depreciation and amortization. Property and equipment at July 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 824,000	\$ 824,000
Furniture, equipment, and vehicles	339,172	246,391
Buildings	8,330,906	8,355,846
Construction in process	-	27,393
Capitalized lease obligation	51,870	-
	<u>9,545,948</u>	<u>9,453,630</u>
Accumulated depreciation and amortization	<u>(2,757,122)</u>	<u>(2,481,541)</u>
Total	<u><u>\$ 6,788,826</u></u>	<u><u>\$ 6,972,089</u></u>

Depreciation and amortization totaled \$275,583 and \$220,008 for the years ended July 31, 2018 and 2017 respectively.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 5 – LEASE COMMITMENTS

Capital Lease Obligation

The Ministry entered into a lease for its electronic devices, servers and networking equipment in June 2018, which it has recorded as a capital lease. The lease expires in June 2021 and requires quarterly principal and interest payments of \$4,859. It has an implied interest rate of 7.40% and a bargain purchase option at the end of the lease term. It has recorded the obligation as follows:

Capital lease obligation	\$ 47,970
Less current portion	<u>(16,334)</u>
Capital lease obligation, less current portion	<u><u>\$ 31,636</u></u>

Future maturities of capital lease obligations are as follows:

<u>For the Year Ending July 31,</u>	<u>Amount</u>
2019	\$ 19,436
2020	19,436
2021	<u>14,577</u>
Total minimum lease payments	53,449
Less amount representing interest	<u>(5,479)</u>
Present value of net minimum lease payments	<u><u>\$ 47,970</u></u>

Operating Lease

The Ministry has a lease for copiers with lease payments of \$1,835 per month. The lease expires in October 2019. Copier lease expense was \$22,024 and \$22,024 for the years ended July 31, 2018 and 2017, respectively. Future minimum lease payments are as follows:

<u>For the Year Ending July 31,</u>	<u>Amount</u>
2019	\$ 22,024
2020	<u>3,671</u>
Total	<u><u>\$ 25,695</u></u>

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 6 – LONG-TERM DEBT

As of July 31, 2018 and 2017 long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Note payable to a financial institution, at an interest rate of 4.29% per annum and monthly payments of \$14,292 (including principal and interest) through May 2027, collateralized by real estate owned by the Ministry.	\$ 2,214,703	\$ 2,288,118
Promissory note payable to a not-for-profit organization at no interest cost, due on demand in November 2018. The note is secured by a deed of trust.	<u>370,000</u>	<u>400,000</u>
	2,584,703	2,688,118
Less current portion of notes payable	(443,473)	(474,809)
Less unamortized loan costs	<u>(38,983)</u>	<u>(43,332)</u>
	<u>\$ 2,102,247</u>	<u>\$ 2,169,977</u>

Future maturities of long-term notes payable are as follows:

<u>Year ended July 31,</u>	
2019	\$ 443,473
2020	81,498
2021	85,065
2022	88,787
2023	91,199
Thereafter	<u>1,794,681</u>
	<u>\$ 2,584,703</u>

The Ministry incurred \$98,086 and \$27,699 of interest expense on these notes during the years ended July 31, 2018 and 2017, respectively.

NOTE 7 – BOARD DESIGNATED NET ASSETS

The Board of Elders has designated unrestricted funds to various school and church programs. A summary of Board designated net assets as of July 31 is as follows:

	<u>2018</u>	<u>2017</u>
Board designated net assets	<u>\$ 15,149</u>	<u>\$ 37,267</u>

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 8 – RETIREMENT PLAN

The Ministry has a discretionary defined contribution retirement plan covering the Ministry's employees. The Ministry made contributions totaling \$18,304 and \$22,477 for the years ended July 31, 2018 and 2017 respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

The Ministry uses a framework for measuring fair value and disclosing fair values. The Ministry defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. This framework is used for all assets and liabilities measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable market based inputs or unobservable inputs corroborated by market data

Level 3 – Unobservable inputs not corroborated by market data

The following table summarizes the Ministry's financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of July, 31, 2018:

	<u>Carrying value</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in agency endowment fund	<u>\$ 59,240</u>	<u>\$ 59,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,240</u>

The following table summarizes the Ministry's financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of July, 31, 2017:

	<u>Carrying value</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in agency endowment fund	<u>\$ 56,981</u>	<u>\$ 56,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,981</u>

As discussed above, the Ministry is required to report fair value measurement in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. The fair values of the beneficial interest in agency endowment funds are based directly on statements from Waterstone, a tax exempt public foundation incorporated as Christian Community Foundation, Inc. with the value of the endowment funds as of July 31, 2018 and 2017, respectively.

There were no transfers between Level 1, Level 2 and Level 3 investments during the years ended July 31, 2018 and 2017. A reconciliation of changes in the amounts reported for the assets are included in Note 10.

Beneficial interest in agency endowment fund at July 31, 2018 and 2017, are shown in the financial statements as follows:

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>\$ 59,240</u>	<u>\$ 56,981</u>

NOTE 10 – BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

For the years ended July 31, 2018 and 2017, Waterstone, a tax exempt public foundation, is in control of an endowment fund for the Ministry. The endowment has been recorded as permanently restricted with the earnings on the corpus classified as temporarily restricted. The endowment was established to provide scholarships for kindergarteners attending the Ministry's school. Waterstone has ultimate authority and control over the investment of the property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on the Ministry's Statement of Financial Position.

Since Waterstone has control over the fund, the Ministry has not established an investment policy for the fund, however, it does review the fund annually. It also has a scholarship committee that determines to whom the earnings from the fund are awarded. The Ministry is not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by its donors. The Ministry recognizes contribution income when Waterstone makes a distribution to it. The Ministry recognizes investment earnings and fees in the Statement of Activities, as they are reported to the Ministry by Waterstone.

The following is the balance and activity reported in the Ministry's financial statements for the years ended July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 56,981	\$ 51,670
Changes in beneficial interest in agency endowment fund:		
Contributions	-	-
Investment income	2,850	5,854
Withdrawals	-	-
Administrative expenses	<u>(591)</u>	<u>(543)</u>
Balance - end of year	<u>\$ 59,240</u>	<u>\$ 56,981</u>

NOTE 11 – ENDOWMENT FUNDS

The endowment (Waterstone, see Note 10) consists of one donor-restricted fund and no funds designated by the Board of Elders to function as endowments. The endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 11 – ENDOWMENT FUNDS (CONTINUED)

Financial accounting standards also require additional disclosures about the endowment funds (both donor-restricted endowment funds and board designated endowment fund), whether or not the Ministry is subject to UPMIFA.

Interpretation of applicable law – The Board of Elders has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Ministry classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Ministry in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – The Ministry appropriates for annual distribution a maximum of 1% of the income derived from the investment of the endowment fund's principal according to the stipulations required by the donors in exchange for the establishment of the endowment.

Investment return objective, risk parameters and strategies – The Ministry has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that maintain the corpus of the endowment. The Ministry relies on Waterstone to determine investments that meet this objective.

Endowment and Other Funds with Deficiencies – The fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Ministry to retain as a fund of perpetual duration. There were no such deficiencies as of July 31, 2018 or 2017.

The corpus of the endowment assets in the amount of \$50,000 is classified as permanently restricted as of July 31, 2018 and 2017. The earnings on the endowment assets that have not yet been appropriated are classified as temporarily restricted. Temporarily restricted net assets are \$9,240 and \$6,981 as of July 31, 2018 and 2017, respectively.

NOTE 12 – PRIOR PERIOD RESTATEMENT

The Ministry has restated its previously issued financial statements for the years ended July 31, 2017 and 2016 to correct an error related to permanently restricted net assets. The total increase to net assets as of August 1, 2016 was \$51,670.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 12 – PRIOR PERIOD RESTATEMENT (CONTINUED)

The following is a summary of the restatement for 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets as of August 1, 2016	\$ 5,034,190	\$ -	\$ -	\$ 5,034,190
Restatement of net assets	<u>-</u>	<u>1,670</u>	<u>50,000</u>	<u>51,670</u>
Net assets as of August 1, 2016, as restated	<u>\$ 5,034,190</u>	<u>\$ 1,670</u>	<u>\$ 50,000</u>	<u>\$ 5,085,860</u>

The effect on the Ministry's previously issued financial statements for the year ended July 31, 2017 is summarized as follows:

Statement of Financial Position as of July 31, 2017:

	<u>Previously Reported</u>	<u>Increase</u>	<u>Restated</u>
Asset whose use is limited: Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 56,981</u>	<u>\$ 56,981</u>

Statement of Activities for the year ended July 31, 2017:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Investment income	\$ -	\$ 5,854	\$ 5,854
Administrative expenses	\$ -	\$ (543)	\$ (543)
Change in temporarily restricted net assets	\$ -	\$ 5,311	\$ 5,311

NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued new accounting guidance that amends the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. This new accounting guidance will result in changes to financial statement presentation and additional disclosures and the Ministry is still evaluating its impact.

In February 2016, the FASB issued new accounting guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new accounting guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019. The Ministry is currently evaluating the effect of this pronouncement on its policies, procedures, and

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2018 AND 2017

NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

financial statements.

In May 2014, the FASB issued new accounting guidance to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Ministry is in the process of evaluating the impact of the provisions of this new accounting guidance but does not expect it to have a material impact on its financial position or results of operations.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF FINANCIAL POSITION BY FUND
JULY 31, 2018 AND 2017

	2018		2017
	Church	School	Total
	<u>Assets</u>		
Current assets:			
Cash	\$ 59,430	\$ 352,045	\$ 411,475
Accounts receivable, net	-	127,639	127,639
Total current assets	59,430	479,684	539,114
Property and equipment, net	852,262	5,936,564	6,788,826
Asset whose use is limited:			
Beneficial interest in agency endowment fund	-	59,240	59,240
Total assets	\$ 911,692	\$ 6,475,488	\$ 7,387,180
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable	\$ 23,706	\$ 102,712	\$ 126,418
Deferred tuition and enrollment fees	-	354,824	354,824
Current portion of long-term debt	-	443,473	443,473
Current portion of capitalized lease obligation	-	16,334	16,334
Total current liabilities	23,706	917,343	941,049
Long-term debt, less current portion net of unamortized loan costs	-	2,102,247	2,102,247
Capitalized lease obligation, less current portion	-	31,636	31,636
Total liabilities	23,706	3,051,226	3,074,932
Net assets:			
Net assets, unrestricted	887,986	3,365,022	4,253,008
Net assets, temporarily restricted	-	9,240	9,240
Net assets, permanently restricted	-	50,000	50,000
Total net assets	887,986	3,424,262	4,312,248
Total liabilities and net assets	\$ 911,692	\$ 6,475,488	\$ 7,387,180

See independent accountants' compilation report.

**LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF ACTIVITIES BY FUND
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

	2018			2017	
	Church	School	Total	Church	Total
Changes in unrestricted net assets:					
Unrestricted revenues and support:					
Tuition and fees, net of discounts, scholarships and financial aid	\$ -	\$ 1,887,211	\$ 1,887,211	\$ -	\$ 1,979,172
Contributions, tithes, and offerings	437,814	-	437,814	406,385	406,385
Other income	4,448	527,490	531,938	378,216	378,216
Cafeteria income	-	130,358	130,358	130,264	130,264
Summer day camp	-	97,073	97,073	131,731	131,731
Preschool	-	1,201,178	1,201,178	1,048,788	1,048,788
Special events	-	74,785	74,785	103,536	103,536
Transfers between funds	(48,000)	48,000	-	-	-
Total unrestricted revenues and support	394,262	3,966,095	4,360,357		4,178,092
Unrestricted expenses:					
Program expenses	105,311	2,224,284	2,329,595		2,554,922
Support expenses					
Management and general	236,909	1,757,710	1,994,619		1,727,907
Fundraising	-	33,289	33,289		52,633
Total program and support expenses	342,220	4,015,283	4,357,503		4,335,462
Depreciation and amortization	67,509	208,074	275,583		220,008
Interest and finance costs	-	103,376	103,376		27,699
(Decrease) in unrestricted net assets	(15,467)	(360,638)	(376,105)		(405,077)
Changes in temporarily restricted net assets:					
Investment income	-	2,850	2,850		5,854
Administrative expenses	-	(591)	(591)		(543)
Increase in temporarily restricted net assets	-	2,259	2,259		5,311
(Decrease) in net assets	(15,467)	(358,379)	(373,846)		(399,766)
Net assets, beginning of year	903,453	3,782,641	4,686,094		5,085,860
Net assets, end of year	\$ 887,986	\$ 3,424,262	\$ 4,312,248	\$	\$ 4,686,094

See independent accountants' compilation report.