

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
FINANCIAL STATEMENTS (COMPILED)
JULY 31, 2019 AND 2018

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Independent Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of Lighthouse Ministries of Antioch TN, Inc. (the Ministry), which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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 AICPA. 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.

The accompanying supplemental statements of financial position by fund, supplemental statements of activities by fund and supplemental statements of functional expenses 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 14 to the financial statements, the July 31, 2018 financial statements have been restated to correct a misstatement.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 22, 2019

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 380,626	\$ 377,303
Accounts receivable, less allowance for doubtful accounts of \$600,121 and \$599,726, respectively	<u>23,874</u>	<u>127,639</u>
Total current assets	404,500	504,942
Property and equipment, net	6,521,437	6,788,826
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>49,288</u>	<u>59,240</u>
Total assets	<u>\$ 6,975,225</u>	<u>\$ 7,353,008</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 120,714	\$ 126,418
Deferred tuition and enrollment fees	346,657	354,824
Current portion of amounts due to related parties	85,000	-
Current portion of long-term debt	81,498	443,473
Current portion of capitalized lease obligation	<u>16,333</u>	<u>16,334</u>
Total current liabilities	650,202	941,049
Long-term portion of amounts due to related parties	321,000	-
Long-term debt, less current portion, net of unamortized loan costs	2,022,476	2,102,247
Capitalized lease obligation, less current portion	<u>15,748</u>	<u>31,636</u>
Total liabilities	<u>3,009,426</u>	<u>3,074,932</u>
Net assets:		
Net assets without donor restrictions	3,916,511	4,218,836
Net assets with donor restrictions	<u>49,288</u>	<u>59,240</u>
Total net assets	<u>3,965,799</u>	<u>4,278,076</u>
Total liabilities and net assets	<u>\$ 6,975,225</u>	<u>\$ 7,353,008</u>

See accompanying notes to financial statements and Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions:		
Revenues and support:		
Tuition and fees, net of discounts, scholarships and financial aid	\$ 1,996,187	\$ 1,887,211
Contributions, tithes, and offerings	404,079	437,814
Other income	540,067	531,938
Cafeteria income	97,237	130,358
Summer day camp	155,183	97,073
Preschool	1,123,482	1,201,178
Special events	76,221	74,785
	<u>4,392,456</u>	<u>4,360,357</u>
 Total revenues and support	 <u>4,392,456</u>	 <u>4,360,357</u>
 Program and support expenses:		
Program services	2,480,522	2,632,762
Support expenses		
Management and general expenses	2,195,373	2,104,583
Fundraising	18,886	33,289
	<u>4,694,781</u>	<u>4,770,634</u>
 Total program and support expenses	 <u>4,694,781</u>	 <u>4,770,634</u>
 Decrease in net assets without donor restrictions	 <u>(302,325)</u>	 <u>(410,277)</u>
Changes in net assets with donor restrictions:		
Investment income	548	2,850
Administrative expenses	(500)	(591)
Distributions	(10,000)	-
	<u>(9,952)</u>	<u>2,259</u>
 (Decrease) increase in net assets with donor restrictions	 <u>(9,952)</u>	 <u>2,259</u>
 Decrease in net assets	 (312,277)	 (408,018)
 Net assets, beginning of year, restated	 <u>4,278,076</u>	 <u>4,686,094</u>
 Net assets, end of year	 <u>\$ 3,965,799</u>	 <u>\$ 4,278,076</u>

See accompanying notes to financial statements and Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019				2018
	Supporting Services				
	Program Services	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 1,681,613	\$ 1,338,456	\$ -	\$ 3,020,069	\$ 3,089,306
K-12 curriculum and instructional supplies	109,828	-	-	109,828	187,112
Preschool curriculum and instructional supplies	63,869	-	-	63,869	97,124
Missions expenses	67,572	-	-	67,572	71,989
Food and other cafeteria expenses	78,772	-	-	78,772	90,608
Athletics expenses	55,609	-	-	55,609	58,317
School trips, retreats and other special events	73,786	-	-	73,786	63,507
Other expenses	2,921	-	-	2,921	43,414
Office administration	-	312,654	-	312,654	281,409
Bad debt	-	96,839	-	96,839	-
Utilities	-	135,399	-	135,399	146,803
Credit card processing fees	-	51,855	-	51,855	60,285
Charitable contributions	-	500	-	500	12,075
Maintenance expenses	-	73,571	-	73,571	96,976
Technology	-	99,461	-	99,461	59,461
Fundraising	-	-	18,886	18,886	33,289
Functional expenses before other costs	2,133,970	2,108,735	18,886	4,261,591	4,391,675
Other costs					
Depreciation and amortization	237,879	59,470	-	297,349	275,583
Interest and finance costs	108,673	27,168	-	135,841	103,376
Total functional expenses	<u>\$ 2,480,522</u>	<u>\$ 2,195,373</u>	<u>\$ 18,886</u>	<u>\$ 4,694,781</u>	<u>\$ 4,770,634</u>

See accompanying notes to financial statements and Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Decrease in net assets	\$ (312,277)	\$ (408,018)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	297,349	275,583
Finance cost amortization	4,331	4,331
Investment income	(548)	(2,850)
Administrative expenses	500	591
Distributions from endowment fund	10,000	-
Changes in operating assets and liabilities:		
Accounts receivable, net	103,765	(32,271)
Accounts payable	(5,704)	4,323
Deferred tuition and enrollment fees	(8,167)	65,281
Net cash provided (used) by operating activities	<u>89,249</u>	<u>(93,030)</u>
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	<u>(29,961)</u>	<u>(40,450)</u>
Net cash used by investing activities	<u>(29,961)</u>	<u>(40,450)</u>
<u>Cash flows from financing activities:</u>		
Net proceeds from related parties	406,000	-
Principal payments on notes payable	(446,076)	(103,396)
Payments on capital lease obligation	<u>(15,889)</u>	<u>(3,900)</u>
Net cash used by financing activities	<u>(55,965)</u>	<u>(107,296)</u>
Net increase (decrease) in cash	3,323	(240,776)
Cash, beginning of year	<u>377,303</u>	<u>618,079</u>
Cash, end of year	<u>\$ 380,626</u>	<u>\$ 377,303</u>
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 131,510</u>	<u>\$ 99,045</u>

See accompanying notes to financial statements and Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

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 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:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – 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. It also includes assets 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 U.S. GAAP 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 and any amounts earned, but not yet received are recorded as accounts receivable.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

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, 2019 and 2018.

Deferred Tuition and Enrollment Fees

Deferred tuition and enrollment fees represent cash received in advance for the future year's tuition and enrollment fees. Substantially all deferred revenue is related to prepaid tuition fees received by the School.

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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and support activities have been summarized on a functional basis in the statements of functional expenses. Costs were allocated among program and support services based on time and effort expended.

Income Taxes

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

U.S. GAAP requires 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, 2019 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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update address the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, the requirement of reporting expenses by their natural and functional classification and the lack of consistency in the type of information provided about expenses and investment return. The Ministry has adjusted the presentation of these financial statements to comply with this update.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 3 – LIQUIDITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as of July 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Financial assets:	
Demand deposits	\$ 380,626
Accounts receivable, net	23,874
Investments	49,288
Financial assets as of July 31, 2019	<u>453,788</u>
Less amounts not available to be used within one year:	
Designated by the Board of Elders	5,992
Cash held as collateral for bank loan	172,000
Endowment fund	49,288
	<u>227,280</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 226,508</u>

The Ministry is substantially supported by unrestricted contributions and tuition. Tuition revenue provides a predictable cash flow which allows the Ministry to forecast and manage its cash flow needs. As part of the Ministry's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

In addition, the Ministry has a \$75,000 revolving credit line which had not been drawn on as of July 31, 2019. Subsequent to July 31, 2019 the Ministry borrowed \$51,814 which is due on demand. The lender has given no assurances that the credit line will continue to be available.

NOTE 4 – 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, 2019, the Ministry did not have any cash deposits in a financial institution in excess of the amount insured by the FDIC. As of July 31, 2018, the Ministry had approximately \$130,000 in excess of the amount insured by the FDIC. The Ministry has not experienced any losses in such accounts.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 5 – 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 824,000	\$ 824,000
Furniture, equipment, and vehicles	344,732	339,172
Buildings	8,355,306	8,330,906
Capitalized lease obligation	51,870	51,870
	<u>9,575,908</u>	<u>9,545,948</u>
Accumulated depreciation and amortization	<u>(3,054,471)</u>	<u>(2,757,122)</u>
Total	<u><u>\$ 6,521,437</u></u>	<u><u>\$ 6,788,826</u></u>

Depreciation and amortization expense was \$297,349 and \$275,583 for the years ended July 31, 2019 and 2018, respectively.

NOTE 6 – 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. The current balance of the obligation is as follows:

Capital lease obligation	\$ 32,081
Less current portion	<u>(16,333)</u>
Capital lease obligation, less current portion	<u><u>\$ 15,748</u></u>

Future maturities of capital lease obligations are as follows:

<u>For the Year Ending July 31,</u>	<u>Amount</u>
2020	19,436
2021	<u>14,577</u>
Total minimum lease payments	34,013
Less amount representing interest	<u>(1,932)</u>
Present value of net minimum lease payments	<u><u>\$ 32,081</u></u>

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 6 – LEASE COMMITMENTS (CONTINUED)

Operating Lease

The Ministry has a lease for copiers with lease payments of \$1,835 per month. The lease expired in October 2019. It entered into a new copier lease in October 2019 with lease payments of \$1,698 per month for a term of 48 months. Copier lease expense was \$22,024 and \$22,024 for the years ended July 31, 2019 and 2018, respectively. Future minimum lease payments are as follows:

For the Year Ending July 31,	Amount
2020	\$ 20,650
2021	20,376
2022	20,376
2023	20,376
2024	3,396
Total	<u>\$ 85,174</u>

NOTE 7 – LONG-TERM DEBT

As of July 31, 2019 and 2018 long-term debt consisted of the following:

	2019	2018
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 imprest funds held with bank and real estate owned by the Ministry.	\$ 2,138,625	\$ 2,214,703
Promissory note payable to a not-for-profit	-	370,000
	<u>2,138,625</u>	<u>2,584,703</u>
Less current portion of notes payable	(81,498)	(443,473)
Less unamortized loan costs	<u>(34,651)</u>	<u>(38,983)</u>
	<u>\$ 2,022,476</u>	<u>\$ 2,102,247</u>

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

<u>Year ended July 31,</u>	
2020	\$ 81,498
2021	85,065
2022	88,787
2023	91,199
2024	95,386
Thereafter	1,696,690
	<u>\$ 2,138,625</u>

The Ministry incurred \$131,510 and \$99,045 of interest expense on these notes during the years ended July 31, 2019 and 2018, respectively.

NOTE 8 – RELATED PARTIES

The Ministry received \$406,000, net of repayments, from members of the Board of Elders, an employee and other individuals with personal ties to the Ministry for the year ended July 31, 2019. \$85,000 is due in the next year and is classified as current on the Statement of Financial Position. The remaining \$321,000 is due in future years and is classified as long-term on the Statement of Financial Position.

NOTE 9 – 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>2019</u>	<u>2018</u>
Board designated net assets	<u>\$ 5,992</u>	<u>\$ 15,149</u>

NOTE 10 – RETIREMENT PLAN

The Ministry has a discretionary defined contribution retirement plan covering the Ministry's employees. The Ministry made contributions totaling \$462 and \$22,477 for the years ended July 31, 2019 and 2018, respectively.

NOTE 11 – 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 **NOTE**

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

11 – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019:

	<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>\$ 49,288</u>	<u>\$ 49,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,288</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, 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>

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, 2019 and 2018, respectively.

There were no transfers between Level 1, Level 2 and Level 3 investments during the years ended July 31, 2019 and 2018. A reconciliation of changes in the amounts reported for the assets are included in Note 12.

Beneficial interest in agency endowment fund at July 31, 2019 and 2018, are shown in the financial statements as follows:

	<u>2019</u>	<u>2018</u>
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>\$ 49,288</u>	<u>\$ 59,240</u>

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 12 – BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

For the years ended July 31, 2019 and 2018, Waterstone, a tax exempt public foundation, is in control of an endowment fund for the Ministry. The endowment has been recorded as a net asset with donor restrictions. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 59,240	\$ 56,981
Changes in beneficial interest in agency endowment fund:		
Investment income	548	2,850
Distributions	(10,000)	-
Administrative expenses	<u>(500)</u>	<u>(591)</u>
Balance - end of year	<u>\$ 49,288</u>	<u>\$ 59,240</u>

NOTE 13 – ENDOWMENT FUNDS

The endowment (Waterstone, see Note 12) 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. Financial accounting standards also require additional disclosures about the endowment funds (both donor-restricted

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 13 – ENDOWMENT FUNDS (CONTINUED)

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 net assets with donor restrictions (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 is also classified as net assets with donor restrictions 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, 2019 or 2018.

The endowment assets are classified as net assets with donor restrictions as of July 31, 2019 and 2018.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 14 – PRIOR PERIOD RESTATEMENT

The Ministry has restated its previously issued financial statements for the year ended July 31, 2018 to correct an error related to cash, specifically regarding corrections to the reconciliation to the bank statements. The total decrease to net assets as of August 1, 2018 was \$34,172.

The following is a summary of the restatement for 2018:

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Net assets as of August 1, 2018	\$ 4,253,008	\$ 59,240	\$ 4,312,248
Restatement of net assets	<u>(34,172)</u>	<u>-</u>	<u>(34,172)</u>
Net assets as of August 1, 2018, as restated	<u>\$ 4,218,836</u>	<u>\$ 59,240</u>	<u>\$ 4,278,076</u>

The effect on the Ministry's previously issued financial statements for the year ended July 31, 2018 is summarized as follows:

Statement of Financial Position as of July 31, 2018:

	<u>Previously Reported</u>	<u>Decrease</u>	<u>Restated</u>
Cash	<u>\$ 411,475</u>	<u>\$ (34,172)</u>	<u>\$ 377,303</u>

Statement of Activities for the year ended July 31, 2018:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Management and general expenses	\$ 1,994,619	\$ 34,172	\$ 2,028,791
Change in net assets without donor restrictions	\$ 4,253,008	\$ (34,172)	\$ 4,218,836

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019 AND 2018

NOTE 15 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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, 2020. The Ministry is currently evaluating the effect of this pronouncement on its policies, procedures, and 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 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2019, the date which the financial statements were available to be issued.

See accompanying Independent Accountant's Compilation Report.

SUPPLEMENTAL INFORMATION

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF FINANCIAL POSITION BY FUND
JULY 31, 2019 AND 2018

	2019			2018
	Church	School	Total	Total
<u>Assets</u>				
Current assets:				
Cash	\$ 54,567	\$ 326,059	\$ 380,626	\$ 377,303
Accounts receivable, net	-	23,874	23,874	127,639
Total current assets	54,567	349,933	404,500	504,942
Property and equipment, net	1,951,342	4,570,095	6,521,437	6,788,826
Asset whose use is limited:				
Beneficial interest in agency endowment fund	-	49,288	49,288	59,240
Total assets	\$ 2,005,909	\$ 4,969,316	\$ 6,975,225	\$ 7,353,008
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 21,632	\$ 99,082	\$ 120,714	\$ 126,418
Deferred tuition and enrollment fees	-	346,657	346,657	354,824
Current portion of amounts due to related parties	-	85,000	85,000	-
Current portion of long-term debt	-	81,498	81,498	443,473
Current portion of capitalized lease obligation	-	16,333	16,333	16,334
Total current liabilities	21,632	628,570	650,202	941,049
Long-term portion of amounts due to related parties	-	321,000	321,000	
Long-term debt, less current portion net of unamortized loan costs	-	2,022,476	2,022,476	2,102,247
Capitalized lease obligation, less current portion	-	15,748	15,748	31,636
Total liabilities	21,632	2,987,794	3,009,426	3,074,932
Net assets:				
Net assets without donor restrictions	1,984,277	1,932,234	3,916,511	4,218,836
Net assets with donor restrictions	-	49,288	49,288	59,240
Total net assets	1,984,277	1,981,522	3,965,799	4,278,076
Total liabilities and net assets	\$ 2,005,909	\$ 4,969,316	\$ 6,975,225	\$ 7,353,008

See Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF ACTIVITIES BY FUND
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019			2018
	Church	School	Total	Total
Changes in net assets without donor restrictions:				
Revenues and support:				
Tuition and fees, net of discounts, scholarships and financial aid	\$ -	\$ 1,996,187	\$ 1,996,187	\$ 1,887,211
Contributions, tithes, and offerings	404,079	-	404,079	437,814
Other income	911	539,156	540,067	531,938
Cafeteria income	-	97,237	97,237	130,358
Summer day camp	-	155,183	155,183	97,073
Preschool	-	1,123,482	1,123,482	1,201,178
Special events	-	76,221	76,221	74,785
Transfers between funds	(48,000)	48,000	-	-
Total revenues and support	356,990	4,035,466	4,392,456	4,360,357
Program and support expenses:				
Program services, before other costs	75,641	2,058,329	2,133,970	2,329,595
Support expenses, before other costs				
Management and general	284,135	1,824,600	2,108,735	2,028,791
Fundraising	-	18,886	18,886	33,289
Total program and support expenses, before other costs	359,776	3,901,815	4,261,591	4,391,675
Other costs				
Depreciation and amortization	65,280	232,069	297,349	275,583
Interest and finance costs	-	135,841	135,841	103,376
Increase (decrease) in net assets without donor restrictions	(68,066)	(234,259)	(302,325)	(410,277)
Changes in net assets with donor restrictions:				
Investment income	-	548	548	2,850
Administrative expenses	-	(500)	(500)	(591)
Contributions	-	(10,000)	(10,000)	-
Increase in net assets with donor restrictions	-	(9,952)	(9,952)	2,259
Reclassification of accumulated depreciation *	1,164,357	(1,164,357)	-	-
Increase (decrease) in net assets	1,096,291	(1,408,568)	(312,277)	(408,018)
Net assets, beginning of year	887,986	3,390,090	4,278,076	4,686,094
Net assets, end of year	\$ 1,984,277	\$ 1,981,522	\$ 3,965,799	\$ 4,278,076

* In prior year the Church sold property to the School and the related assets were transferred to the School, however, the related accumulated depreciation was not transferred. Transfer was recorded in current year and has a net zero effect on the consolidated financial statements.

See Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES BY FUND
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019			2018
	Church	School	Total	Total
Expenses				
Program Services				
Salaries and benefits	\$ 8,069	\$ 1,673,544	\$ 1,681,613	\$ 1,760,918
K-12 curriculum and instructional supplies	-	109,828	109,828	187,112
Preschool curriculum and instructional supplies	-	63,869	63,869	97,124
Missions expenses	67,572	-	67,572	71,989
Food and other cafeteria expenses	-	78,772	78,772	90,608
Athletics expenses	-	55,609	55,609	58,317
School trips, retreats and other special events	-	73,786	73,786	63,507
Other program expenses	-	2,921	2,921	20
Depreciation and amortization	52,224	185,655	237,879	220,466
Interest and finance costs	-	108,673	108,673	82,701
Total Program Services	<u>127,865</u>	<u>2,352,657</u>	<u>2,480,522</u>	<u>2,632,762</u>
Management and General				
Salaries and benefits	162,823	1,175,633	1,338,456	1,328,388
Office administration	121,312	191,342	312,654	281,409
Bad debt	-	96,839	96,839	-
Utilities	-	135,399	135,399	146,803
Credit card processing fees	-	51,855	51,855	60,285
Other expenses	-	-	-	43,394
Charitable contributions	-	500	500	12,075
Maintenance expenses	-	73,571	73,571	96,976
Technology	-	99,461	99,461	59,461
Depreciation and amortization	13,056	46,414	59,470	55,117
Interest and finance costs	-	27,168	27,168	20,675
Total Management and General	<u>297,191</u>	<u>1,898,182</u>	<u>2,195,373</u>	<u>2,104,583</u>
Fundraising				
Fundraising expenses	<u>-</u>	<u>18,886</u>	<u>18,886</u>	<u>33,289</u>
Total Expenses	<u>\$ 425,056</u>	<u>\$ 4,269,725</u>	<u>\$ 4,694,781</u>	<u>\$ 4,770,634</u>

See Independent Accountant's Compilation Report.