

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
FINANCIAL STATEMENTS
JULY 31, 2017 AND 2016

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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, 2017 and 2016, 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 Matter

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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC".

May 14, 2018

LIGHTHOUSE MINISTRIES OF ANTIOCH, TN, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 618,079	\$ 923,836
Accounts receivable, less allowance for doubtful accounts of \$477,316 and \$473,702, respectively	<u>95,369</u>	<u>148,839</u>
Total current assets	713,448	1,072,675
Property and equipment, net	<u>6,972,089</u>	<u>4,555,725</u>
Total assets	<u>\$ 7,685,537</u>	<u>\$ 5,628,400</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 122,095	\$ 115,064
Deferred tuition and enrollment fees	289,543	187,120
Current portion of long-term debt	<u>474,809</u>	<u>292,026</u>
Total current liabilities	886,447	594,210
Long-term debt, less current portion net of unamortized loan costs	<u>2,169,977</u>	<u>-</u>
Total liabilities	3,056,424	594,210
Net assets, unrestricted	<u>4,629,113</u>	<u>5,034,190</u>
Total liabilities and net assets	<u>\$ 7,685,537</u>	<u>\$ 5,628,400</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted revenues and support:		
Tuition and fees, net of discounts, scholarships and financial aid	\$ 1,979,172	\$ 2,152,992
Contributions, tithes, and offerings	406,385	399,641
Other income	378,216	373,076
Cafeteria income	130,264	129,084
Summer day camp	131,731	152,769
Preschool	1,048,788	1,149,097
Special events	<u>103,536</u>	<u>85,156</u>
Total unrestricted revenues and support	<u><u>4,178,092</u></u>	<u><u>4,441,815</u></u>
Unrestricted expenses:		
Program expenses	2,554,922	2,594,307
Support expenses		
Management and general	1,727,907	1,670,124
Depreciation and amortization	220,008	187,505
Interest costs	27,699	13,680
Fundraising	<u>52,633</u>	<u>46,815</u>
Total unrestricted expenses	<u><u>4,583,169</u></u>	<u><u>4,512,431</u></u>
(Decrease) in unrestricted net assets	(405,077)	(70,616)
Unrestricted net assets, beginning of year, including 2016 restatement	<u><u>5,034,190</u></u>	<u><u>5,104,806</u></u>
Unrestricted net assets, end of year	<u><u>\$ 4,629,113</u></u>	<u><u>\$ 5,034,190</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
(Decrease) in unrestricted net assets	\$ (405,077)	\$ (70,616)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided (used) by operating activities		
Depreciation and amortization	220,008	187,505
Changes in operating assets and liabilities		
Accounts receivable, net	53,470	(27,789)
Accounts payable	7,031	80,175
Deferred tuition and enrollment fees	102,423	(119,344)
	<u> </u>	<u> </u>
Net cash (used) provided by operating activities	<u>(22,145)</u>	<u>49,931</u>
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	<u>(204,245)</u>	<u>(109,980)</u>
<u>Cash flows from financing activities:</u>		
Principal payments on notes payable	<u>(79,367)</u>	<u>(97,820)</u>
Net decrease in cash	(305,757)	(157,869)
Cash, beginning of year	<u>923,836</u>	<u>1,081,705</u>
Cash, end of year	<u><u>\$ 618,079</u></u>	<u><u>\$ 923,836</u></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>\$ 2,700,000</u></u>	<u><u>\$ -</u></u>
Cash paid during the year for:		
Interest	<u><u>\$ 27,699</u></u>	<u><u>\$ 13,680</u></u>

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

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2017 AND 2016

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 TACS 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. The Ministry does not have temporarily restricted net assets at July 31, 2017 and 2016.

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). The Ministry does not have permanently restricted net assets at July 31, 2017 and 2016.

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, 2017 AND 2016

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. 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 fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recognized during the years ended July 31, 2017 and 2016.

Deferred Enrollment and Tuition Fees

Deferred enrollment and tuition fees represent cash received in advance for the future year's enrollment and tuition 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, 2017 AND 2016**

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, 2017 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 statement. The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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). At July 31, 2017 and 2016, the Ministry had cash deposits in a financial institution in excess of the amount insured by the FDIC of approximately \$300,000 and \$500,000 at July 31, 2017 and 2016, respectively. 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. The Ministry capitalizes equipment with a cost over \$1,000 and an estimated life of three years or more. Property and equipment at July 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 437,000	\$ 412,000
Furniture, equipment, and vehicles	246,391	154,217
Buildings	8,742,846	6,251,041
Construction in process	27,393	-
	<u>9,453,630</u>	<u>6,817,258</u>
Accumulated depreciation and amortization	<u>(2,481,541)</u>	<u>(2,261,533)</u>
Total	<u><u>\$ 6,972,089</u></u>	<u><u>\$ 4,555,725</u></u>

Depreciation and amortization totaled \$220,008 and \$187,505 for the years ended July 31, 2017 and 2016 respectively.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT

As of July 31, 2017 and 2016 long-term debt consisted of the following:

	<u>2017</u>	<u>2016</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.	\$ 2,288,118	\$ -
Promissory note payable to a not-for-profit organization at no interest cost, due on demand in October 2018. The note is secured by a deed of trust.	400,000	-
Note payable to a financial institution, due in monthly payments of \$6,247 with a 3.90% interest rate paid in full during 2017. The note was collateralized by property and equipment.	<u>-</u>	<u>292,026</u>
	2,688,118	292,026
Less current portion of notes payable	(474,809)	(292,026)
Less unamortized loan costs	<u>(43,332)</u>	<u>-</u>
	<u><u>\$ 2,169,977</u></u>	<u><u>\$ -</u></u>

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

<u>Year ended</u>	
2018	\$ 474,809
2019	78,083
2020	81,498
2021	85,065
2022	88,787
Thereafter	<u>1,879,876</u>
	<u><u>\$ 2,688,118</u></u>

The Ministry incurred \$27,699 and \$13,680 of interest expense on these notes during the years ended July 31, 2017 and 2016, respectively.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2017 AND 2016

NOTE 6 – BOARD DESIGNATED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Board designated net assets	<u>\$ 37,267</u>	<u>\$ 61,190</u>

NOTE 7 – RETIREMENT PLAN

The Ministry has a discretionary defined contribution retirement plan covering the Ministry's employees. The Ministry made contributions totaling \$22,477 and \$34,827 for the years ended July 31, 2017 and 2016 respectively.

NOTE 8 – PRIOR PERIOD RESTATEMENT

The Ministry identified a restatement that resulted in an increase of net assets as of August 1, 2015 in the amount of \$52,094 and a decrease to current liabilities by the same amount.

NOTE 9 – 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 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 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 14, 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, 2017 AND 2016

	<u>Church</u>	<u>2017 School</u>	<u>Total</u>	<u>2016 Total</u>
	<u>Assets</u>			
Current assets:				
Cash	\$ 60,494	\$ 557,585	\$ 618,079	\$ 923,836
Accounts receivable, net	-	95,369	95,369	148,839
Total current assets	60,494	652,954	713,448	1,072,675
Property and equipment, net	1,309,820	5,662,269	6,972,089	4,555,725
Total assets	\$ 1,370,314	\$ 6,315,223	\$ 7,685,537	\$ 5,628,400
	<u>Liabilities and Net Assets</u>			
Current liabilities:				
Accounts payable	\$ 54,861	\$ 67,234	\$ 122,095	\$ 115,064
Deferred tuition and enrollment fees	-	289,543	289,543	187,120
Current portion of long-term debt	379,365	95,444	474,809	292,026
Total current liabilities	434,226	452,221	886,447	594,210
Long-term debt, less current portion net of unamortized loan costs	-	2,169,977	2,169,977	-
Total liabilities	434,226	2,622,198	3,056,424	594,210
Net assets, unrestricted	936,088	3,693,025	4,629,113	5,034,190
Total liabilities and net assets	\$ 1,370,314	\$ 6,315,223	\$ 7,685,537	\$ 5,628,400

See independent accountants' compilation report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF ACTIVITIES BY FUND
FOR THE YEARS ENDED JULY 31, 2017 AND 2016

	2017			2016
	Church	School	Total	Total
Unrestricted revenues and support:				
Tuition and fees, net of discounts, scholarships and financial aid	\$ -	\$ 1,979,172	\$ 1,979,172	\$ 2,152,992
Contributions, tithes, and offerings	406,385	-	406,385	399,641
Other income	50,743	327,473	378,216	373,076
Cafeteria income	-	130,264	130,264	129,084
Summer day camp	-	131,731	131,731	152,769
Preschool	-	1,048,788	1,048,788	1,149,097
Special events	1,640	101,896	103,536	85,156
Transfers between funds	94,080	(94,080)	-	-
	<u>552,848</u>	<u>3,625,244</u>	<u>4,178,092</u>	<u>4,441,815</u>
Total unrestricted revenues and support				
	<u>552,848</u>	<u>3,625,244</u>	<u>4,178,092</u>	<u>4,441,815</u>
Unrestricted expenses:				
Program expenses	337,128	2,217,794	2,554,922	2,594,307
Support expenses				
Management and general	223,102	1,504,805	1,727,907	1,670,124
Depreciation and amortization	50,109	169,899	220,008	187,505
Interest costs	-	27,699	27,699	13,680
Fundraising	-	52,633	52,633	46,815
	<u>610,339</u>	<u>3,972,830</u>	<u>4,583,169</u>	<u>4,512,431</u>
Total unrestricted expenses				
	<u>610,339</u>	<u>3,972,830</u>	<u>4,583,169</u>	<u>4,512,431</u>
(Decrease) in unrestricted net assets	(57,491)	(347,586)	(405,077)	(70,616)
Unrestricted net assets, beginning of year, including 2016 restatement	993,579	4,040,611	5,034,190	5,104,806
	<u>993,579</u>	<u>4,040,611</u>	<u>5,034,190</u>	<u>5,104,806</u>
Unrestricted net assets, end of year	\$ 936,088	\$ 3,693,025	\$ 4,629,113	\$ 5,034,190
	<u>\$ 936,088</u>	<u>\$ 3,693,025</u>	<u>\$ 4,629,113</u>	<u>\$ 5,034,190</u>

See independent accountants' compilation report.