

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
FINANCIAL STATEMENTS (COMPILED)
JULY 31, 2020 AND 2019

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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, 2020 and 2019, 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.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 4, 2020

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 613,388	\$ 380,626
Accounts receivable, less allowance for doubtful accounts of \$0 and \$600,121, respectively	39,005	23,874
Prepaid expenses	<u>42,580</u>	<u>-</u>
Total current assets	694,973	404,500
Property and equipment, net	6,244,357	6,521,437
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>49,328</u>	<u>49,288</u>
 Total assets	 <u><u>\$ 6,988,658</u></u>	 <u><u>\$ 6,975,225</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 86,918	\$ 120,714
Deferred tuition and enrollment fees	363,981	346,657
Current portion of amounts due to related parties	36,000	85,000
Current portion of long-term debt	85,065	81,498
Current portion of capitalized lease obligation	<u>14,577</u>	<u>16,333</u>
Total current liabilities	586,541	650,202
Long-term portion of amounts due to related parties	365,000	321,000
Long-term debt, less current portion, net of unamortized loan costs	1,960,105	2,022,476
PPP loan	553,300	-
Capitalized lease obligation, less current portion	<u>-</u>	<u>15,748</u>
Total liabilities	<u>3,464,946</u>	<u>3,009,426</u>
Net assets:		
Net assets without donor restrictions	3,474,384	3,916,511
Net assets with donor restrictions	<u>49,328</u>	<u>49,288</u>
Total net assets	<u>3,523,712</u>	<u>3,965,799</u>
 Total liabilities and net assets	 <u><u>\$ 6,988,658</u></u>	 <u><u>\$ 6,975,225</u></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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Revenues and support:		
Tuition and fees, net of discounts, scholarships, and financial aid	\$ 2,181,381	\$ 1,996,187
Contributions, tithes, and offerings	401,059	404,079
Other income	450,482	540,067
Cafeteria income	70,780	97,237
Summer day camp	55,790	155,183
Preschool	536,747	1,123,482
Special events	99,587	76,221
	<u>3,795,826</u>	<u>4,392,456</u>
 Total revenues and support	 <u>3,795,826</u>	 <u>4,392,456</u>
 Program and support expenses:		
Program services	2,182,686	2,516,232
Support expenses		
Management and general expenses	2,004,742	2,159,663
Fundraising	50,525	18,886
	<u>4,237,953</u>	<u>4,694,781</u>
 Total program and support expenses	 <u>4,237,953</u>	 <u>4,694,781</u>
 Decrease in net assets without donor restrictions	 <u>(442,127)</u>	 <u>(302,325)</u>
Changes in net assets with donor restrictions:		
Investment income	533	548
Administrative expenses	(493)	(500)
Distributions	-	(10,000)
	<u>40</u>	<u>(9,952)</u>
 (Decrease) increase in net assets with donor restrictions	 <u>40</u>	 <u>(9,952)</u>
 Decrease in net assets	 (442,087)	 (312,277)
 Net assets, beginning of year	 <u>3,965,799</u>	 <u>4,278,076</u>
 Net assets, end of year	 <u>\$ 3,523,712</u>	 <u>\$ 3,965,799</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, 2020 AND 2019

	2020			2019
	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,532,434	\$ 1,131,523	\$ -	\$ 2,663,957
K-12 curriculum and instructional supplies	103,043	-	-	103,043
Preschool curriculum and instructional supplies	42,954	-	-	42,954
Missions expenses	35,403	-	-	35,403
Food and other cafeteria expenses	72,573	-	-	72,573
Athletics expenses	42,276	-	-	42,276
School trips, retreats, and other special events	17,697	-	-	17,697
Other expenses	15,164	-	-	15,164
Office administration	-	296,932	-	296,932
Bad debt	-	48,438	-	48,438
Utilities	-	210,324	-	210,324
Credit card processing fees	-	44,842	-	44,842
Charitable contributions	-	-	-	-
Maintenance expenses	-	92,627	-	92,627
Technology	-	99,771	-	99,771
Fundraising	-	-	50,525	50,525
Functional expenses before other costs	1,861,544	1,924,457	50,525	3,836,526
Other costs				
Depreciation and amortization	238,118	59,529	-	297,647
Interest and finance costs	83,024	20,756	-	103,780
Total functional expenses	<u>\$ 2,182,686</u>	<u>\$ 2,004,742</u>	<u>\$ 50,525</u>	<u>\$ 4,237,953</u>
				<u>\$ 4,694,781</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities:</u>		
Decrease in net assets	\$ (442,087)	\$ (312,277)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	297,647	297,349
Finance cost amortization	4,331	4,331
Investment income	(533)	(548)
Administrative expenses	493	500
Distributions from endowment fund	-	10,000
Changes in operating assets and liabilities:		
Accounts receivable, net	(15,130)	103,765
Prepaid expenses	(42,580)	-
Accounts payable	(33,796)	(5,704)
Deferred tuition and enrollment fees	17,324	(8,167)
Net cash (used) provided by operating activities	<u>(214,331)</u>	<u>89,249</u>
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	<u>(20,569)</u>	<u>(29,961)</u>
Net cash used by investing activities	<u>(20,569)</u>	<u>(29,961)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from PPP loan	553,300	-
Net (repayments) proceeds from related parties	(5,000)	406,000
Principal payments on notes payable	(63,134)	(446,076)
Payments on capital lease obligation	<u>(17,504)</u>	<u>(15,889)</u>
Net cash provided (used) by financing activities	<u>467,662</u>	<u>(55,965)</u>
Net increase in cash	232,762	3,323
Cash, beginning of year	<u>380,626</u>	<u>377,303</u>
Cash, end of year	<u>\$ 613,388</u>	<u>\$ 380,626</u>
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 99,450</u>	<u>\$ 131,510</u>

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

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed for non-for-profit organizations. Accordingly, net assets of the Ministry and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are available for use at the discretion of the Ministry's Board of Elders and/or management for general operating purposes.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent in the same fiscal year.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently while permitting the Ministry to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a spending policy approved by the Board of Elders.

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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

On July 1, 2019, the Ministry adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, ASC 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Ministry performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

Contributions and Support

Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for general operations use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as an increase to net assets without donor restrictions.

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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019.

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.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Ministry received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Air, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Ministry has elected to treat the PPP loan as debt.

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.

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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

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.

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, 2020, 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 – LIQUIDITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as of July 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Demand deposits	\$ 613,388	\$ 380,626
Accounts receivable, net	39,005	23,874
Investments	49,328	49,288
	<u>701,721</u>	<u>453,788</u>
Less amounts not available to be used within one year:		
Designated by the Board of Elders	1,073	5,992
Cash held as collateral for bank loan*	170,000	172,000
Endowment fund	49,328	49,288
	<u>220,401</u>	<u>227,280</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 481,320</u>	<u>\$ 226,508</u>

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 3 – LIQUIDITY OF FINANCIAL ASSETS (CONTINUED)

*In April 2020, the lender released the cash held as collateral for the bank loan to the Ministry; however, the Ministry was required to repay this advance by September 30, 2020. As such, this amount has been excluded from financial assets available for use.

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, 2020. The lender has given no assurances that the credit line will continue to be available.

It is unknown how long the economic conditions resulting from the COVID-19 pandemic (described in Note 2) will last and what the ultimate financial effect on the Ministry will be.

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, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 824,000	\$ 824,000
Furniture, equipment, and vehicles	171,841	344,732
Buildings	7,727,423	8,355,306
Capitalized lease obligation	51,870	51,870
	<u>8,775,134</u>	<u>9,575,908</u>
Accumulated depreciation and amortization	<u>(2,530,777)</u>	<u>(3,054,471)</u>
Total	<u><u>\$ 6,244,357</u></u>	<u><u>\$ 6,521,437</u></u>

Depreciation and amortization expense was \$297,647 and \$297,349 for the years ended July 31, 2020 and 2019, respectively.

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. As of July 31, 2020, the capital lease obligation of \$14,777 is classified as current, of which \$516 represents interest.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 5 – LEASE COMMITMENTS (CONTINUED)

Operating Lease

The Ministry has a lease for copiers 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, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

For the Year Ending July 31,	Amount
2021	\$ 20,376
2022	20,376
2023	20,376
2024	3,396
Total	<u>\$ 64,524</u>

NOTE 6 – PPP Loan

On April 20, 2020, the Ministry received a loan in the amount of \$553,300 in accordance with the PPP section of the CARES Act. Under this loan program, the Ministry may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended \$553,300 [or 100%] on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on April 19, 2022. As long as the Ministry submits its loan forgiveness application within 10 months of December 31, 2020, the Ministry will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the U.S. Small Business Administration (SBA). If the loan is fully forgiven, the Ministry will not be responsible for any payments.

The Ministry has elected to treat the PPP loan as debt in the financial statements. The Ministry has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial. Total amounts of \$273,288 are due in the next 12 months and \$280,012 in the 12 months thereafter.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 7 – LONG-TERM DEBT

As of July 31, 2020 and 2019, long-term debt consisted of the following:

	<u>2020</u>	<u>2019</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 imprest funds held with bank and real estate owned by the Ministry.	\$ 2,075,489	\$ 2,138,625
	<u>2,075,489</u>	<u>2,138,625</u>
Less current portion of notes payable	(85,065)	(81,498)
Less unamortized loan costs	<u>(30,319)</u>	<u>(34,651)</u>
	<u>\$ 1,960,105</u>	<u>\$ 2,022,476</u>

The Ministry entered into an amendment to this note which allowed the Ministry to defer the payments due in April, May, and June 2020 to the end of the term of the note. The Ministry has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial.

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

<u>Year ended July 31,</u>	
2021	\$ 85,065
2022	88,787
2023	91,199
2024	95,386
2025	99,829
Thereafter	<u>1,615,223</u>
	<u>\$ 2,075,489</u>

The Ministry incurred \$99,450 and \$131,510 of interest expense on these notes during the years ended July 31, 2020 and 2019, 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. \$5,000 was repaid during the year ended July 31, 2020. As of July 31, 2020, \$36,000 is due in the next year and is classified as current on the Statement of Financial Position. The remaining \$365,000 is due in future years and is classified as long-term on the Statement of Financial Position.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

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>2020</u>	<u>2019</u>
Board designated net assets	<u>\$ 1,073</u>	<u>\$ 5,992</u>

NOTE 10 – 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, 2020, the Ministry had approximately \$360,000 in excess of the amount insured by the 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.

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 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, 2020:

	<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>\$ 49,328</u>	<u>\$ 49,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,328</u>

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 11 – FAIR VALUE MEASUREMENTS (CONTINUED)

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>

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, 2020 and 2019, respectively.

There were no transfers between Level 1, Level 2, and Level 3 investments during the years ended July 31, 2020 and 2019. 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, 2020 and 2019, are shown in the financial statements as follows:

	<u>2020</u>	<u>2019</u>
Asset whose use is limited:		
Beneficial interest in agency endowment fund	<u>\$ 49,328</u>	<u>\$ 49,288</u>

NOTE 12 – BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

For the years ended July 31, 2020 and 2019, 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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 12 – BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND (CONTINUED)

The following is the balance and activity reported in the Ministry's financial statements for the years ended July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 49,288	\$ 59,240
Changes in beneficial interest in agency endowment fund:		
Investment income	533	548
Distributions	-	(10,000)
Administrative expenses	<u>(493)</u>	<u>(500)</u>
Balance - end of year	<u>\$ 49,328</u>	<u>\$ 49,288</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 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.

See accompanying Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2020 AND 2019

NOTE 13 – ENDOWMENT FUNDS (CONTINUED)

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, 2020 or 2019.

The endowment assets are classified as net assets with donor restrictions as of July 31, 2020 and 2019.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2020, 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, 2020 AND 2019

	2020		2019	
	Church	School	Total	Total
	<u>Assets</u>			
Current assets:				
Cash	\$ 92,111	\$ 521,277	\$ 613,388	\$ 380,626
Accounts receivable, less allowance for doubtful accounts of \$0 and \$600,121, respectively	-	39,005	39,005	23,874
Prepaid expenses	-	42,580	42,580	-
Total current assets	92,111	602,862	694,973	404,500
Property and equipment, net	1,886,063	4,358,294	6,244,357	6,521,437
Asset whose use is limited:				
Beneficial interest in agency endowment fund	-	49,328	49,328	49,288
Total assets	\$ 1,978,174	\$ 5,010,484	\$ 6,988,658	\$ 6,975,225
	<u>Liabilities and Net Assets</u>			
Current liabilities:				
Accounts payable	\$ 21,215	\$ 65,703	\$ 86,918	\$ 120,714
Deferred tuition and enrollment fees	-	363,981	363,981	346,657
Current portion of amounts due to related parties	-	36,000	36,000	85,000
Current portion of long-term debt	-	85,065	85,065	81,498
Current portion of capitalized lease obligation	-	14,577	14,577	16,333
Total current liabilities	21,215	565,326	586,541	650,202
Long-term portion of amounts due to related parties	-	365,000	365,000	321,000
Long-term debt, less current portion net of unamortized loan costs	-	1,960,105	1,960,105	2,022,476
PPP loan	57,606	495,694	553,300	-
Capitalized lease obligation, less current portion	-	-	-	15,748
Total liabilities	78,821	3,386,125	3,464,946	3,009,426
Net assets:				
Net assets without donor restrictions	1,899,353	1,575,031	3,474,384	3,916,511
Net assets with donor restrictions	-	49,328	49,328	49,288
Total net assets	1,899,353	1,624,359	3,523,712	3,965,799
Total liabilities and net assets	\$ 1,978,174	\$ 5,010,484	\$ 6,988,658	\$ 6,975,225

See Independent Accountant's Compilation Report.

LIGHTHOUSE MINISTRIES OF ANTIOCH TN, INC.
SUPPLEMENTAL STATEMENTS OF ACTIVITIES BY FUND
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	2020		2019	
	Church	School	Total	Total
Changes in net assets without donor restrictions:				
Revenues and support:				
Tuition and fees, net of discounts, scholarships, and financial aid	\$ -	\$ 2,181,381	\$ 2,181,381	\$ 1,996,187
Contributions, tithes, and offerings	401,059	-	401,059	404,079
Other income	9,381	441,101	450,482	540,067
Cafeteria income	-	70,780	70,780	97,237
Summer day camp	-	55,790	55,790	155,183
Preschool	-	536,747	536,747	1,123,482
Special events	-	99,587	99,587	76,221
Transfers between funds	(34,000)	34,000	-	-
Total revenues and support	376,440	3,419,386	3,795,826	4,392,456
Program and support expenses:				
Program services, before other costs	50,567	1,810,977	1,861,544	2,169,680
Support expenses, before other costs	345,517	1,578,940	1,924,457	2,073,025
Management and general	-	50,525	50,525	18,886
Fundraising				
Total program and support expenses, before other costs	396,084	3,440,442	3,836,526	4,261,591
Other costs				
Depreciation and amortization	65,280	232,367	297,647	297,349
Interest and finance costs	-	103,780	103,780	135,841
Increase (decrease) in net assets without donor restrictions	(84,924)	(357,203)	(442,127)	(302,325)
Changes in net assets with donor restrictions:				
Investment income	-	533	533	548
Administrative expenses	-	(493)	(493)	(500)
Contributions	-	-	-	(10,000)
Increase in net assets with donor restrictions	-	40	40	(9,952)
Decrease in net assets	(84,924)	(357,163)	(442,087)	(312,277)
Net assets, beginning of year	1,984,277	1,981,522	3,965,799	4,278,076
Net assets, end of year	\$ 1,899,353	\$ 1,624,359	\$ 3,523,712	\$ 3,965,799

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, 2020 AND 2019

	2020		2019
	Church	School	Total
Expenses			
Program Services			
Salaries and benefits	\$ -	\$ 1,532,434	\$ 1,532,434
K-12 curriculum and instructional supplies	-	103,043	103,043
Preschool curriculum and instructional supplies	-	42,954	42,954
Missions expenses	35,403	-	35,403
Food and other cafeteria expenses	-	72,573	72,573
Athletics expenses	-	42,276	42,276
School trips, retreats, and other special events	-	17,697	17,697
Other expenses	15,164	-	15,164
Depreciation and amortization	52,224	185,894	238,118
Interest and finance costs	-	83,024	83,024
Total Program Services	<u>102,791</u>	<u>2,079,895</u>	<u>2,182,686</u>
Management and General			
Salaries and benefits	237,261	894,262	1,131,523
Office administration	66,881	230,051	296,932
Bad debt	-	48,438	48,438
Utilities	41,375	168,949	210,324
Credit card processing fees	-	44,842	44,842
Charitable contributions	-	-	-
Maintenance expenses	-	92,627	92,627
Technology	-	99,771	99,771
Depreciation and amortization	13,056	46,473	59,529
Interest and finance costs	-	20,756	20,756
Total Management and General	<u>358,573</u>	<u>1,646,169</u>	<u>2,004,742</u>
Fundraising			
Fundraising expenses	-	50,525	50,525
Total Expenses	<u>\$ 461,364</u>	<u>\$ 3,776,589</u>	<u>\$ 4,237,953</u>
			<u>\$ 4,694,781</u>

See Independent Accountant's Compilation Report.