

THE LIGHTHOUSE FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
&
INDEPENDENT AUDITORS' REPORT**

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McCall Scanlon & Tice, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Lighthouse Foundation:

We have audited the accompanying financial statements of The Lighthouse Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted new accounting policies relating to the presentation of financial statements. Prior year disclosures have been revised to reflect the retrospective application of adopting these changes in accounting. Our opinion is not modified with respect to this matter.

McCall Scaron & Tice, LLC

Pittsburgh, Pennsylvania
September 17, 2019

THE LIGHTHOUSE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>		
	2018	2017
CURRENT ASSETS:		
Cash	\$ 60,943	\$ 169,904
Cash - restricted to use	78,057	213,564
Total cash	139,000	383,468
Accounts receivable	6,529	-
Grants receivable	31,672	29,410
Vehicle inventory	8,892	25,443
Prepaid insurance	8,813	4,042
	194,906	442,363
PROPERTY AND EQUIPMENT, net	1,258,943	1,083,141
LONG-LIVED ASSETS HELD FOR SALE, net	82,822	-
TOTAL ASSETS	\$ 1,536,671	\$ 1,525,504
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of notes payable	\$ 15,040	\$ 12,318
Current portion of capital lease obligation	4,023	-
Line of credit	58,000	-
Accounts payable	10,302	11,614
Accrued expenses	4,698	6,262
	92,063	30,194
NONCURRENT LIABILITIES:		
Notes payable	102,144	53,231
Capital lease obligation	8,643	-
	110,787	53,231
Total liabilities	202,850	83,425
NET ASSETS:		
Without donor restrictions	1,224,092	1,199,105
With donor restrictions	109,729	242,974
	1,333,821	1,442,079
TOTAL LIABILITIES AND NET ASSETS	\$ 1,536,671	\$ 1,525,504

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Contributions:			
Churches and institutions	\$ 211,403	\$ -	\$ 211,403
Food bank	18,301	-	18,301
Vehicles	100,706	-	100,706
Others	236,434	-	236,434
Government grants - transitional housing	-	30,872	30,872
Private grants	1,500	129,800	131,300
Program income	318,650	-	318,650
Miscellaneous revenue	48,363	-	48,363
Donated rent	76,538	-	76,538
Net assets released from restrictions	293,917	(293,917)	-
Total support and revenues	1,305,812	(133,245)	1,172,567
EXPENSES:			
Program services:			
General program	161,923	-	161,923
Food bank	197,729	-	197,729
Low income car ownership	240,351	-	240,351
Transitional housing	364,668	-	364,668
Fundraising	98,612	-	98,612
Supporting services	140,273	-	140,273
Total expenses	1,203,556	-	1,203,556
OTHER INCOME AND (EXPENSE):			
Gain (loss) on sale of fixed asset	(731)	-	(731)
Donated rent expense	(76,538)	-	(76,538)
Total other income and (expense)	(77,269)	-	(77,269)
INCREASE (DECREASE) IN NET ASSETS	24,987	(133,245)	(108,258)
NET ASSETS, BEGINNING OF YEAR	1,199,105	242,974	1,442,079
NET ASSETS, END OF YEAR	\$ 1,224,092	\$ 109,729	\$ 1,333,821

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Contributions:			
Churches and institutions	\$ 191,518	\$ -	\$ 191,518
Food bank	16,273	-	16,273
Vehicles	120,274	-	120,274
Others	217,460	-	217,460
Government grants - transitional housing	-	39,207	39,207
Private grants	1,500	363,050	364,550
Program income	200,972	-	200,972
Miscellaneous revenue	118,765	-	118,765
Net assets released from restrictions	199,564	(199,564)	-
Total support and revenues	1,066,326	202,693	1,269,019
EXPENSES:			
Program services:			
General program	173,771	-	173,771
Food bank	201,780	-	201,780
Low income car ownership	184,815	-	184,815
Transitional housing	376,287	-	376,287
Fundraising	76,955	-	76,955
Supporting services	135,578	-	135,578
Total expenses	1,149,186	-	1,149,186
OTHER INCOME AND (EXPENSE):			
Gain (loss) from insurance claim	4,262	-	4,262
Gain (loss) on sale of fixed asset	10,062	-	10,062
Total other income and (expense)	14,324	-	14,324
INCREASE (DECREASE) IN NET ASSETS	(68,536)	202,693	134,157
NET ASSETS, BEGINNING OF YEAR	1,267,641	40,281	1,307,922
NET ASSETS, END OF YEAR	\$ 1,199,105	\$ 242,974	\$ 1,442,079

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Fundraising	Supporting Services	Total
	General Program	Food Bank	LICO	Transitional Housing			
Salaries	\$ 86,921	\$ 65,690	\$ 29,823	\$ 155,759	\$ 32,153	\$ 49,562	\$ 419,908
Payroll taxes	7,402	5,609	2,540	13,254	2,744	4,218	35,767
Employee benefits	7,503	4,609	1,436	14,186	2,572	8,064	38,370
Contracted labor	-	900	39,667	-	-	900	41,467
Vehicle expense	1,535	17,361	1,796	6,739	24	33	27,488
Fundraising expenses	-	-	-	-	53,874	-	53,874
Direct program costs	22,442	937	32,563	10,395	-	66	66,403
Utilities	3,917	17,698	1,837	73,492	880	5,905	103,729
Accounting	-	-	-	-	-	27,303	27,303
Equipment and rental	-	5,390	-	-	-	-	5,390
Repairs and maintenance	988	11,434	116	26,349	116	2,681	41,684
Advertising	14	-	9,727	-	1,786	199	11,726
Supplies	1,107	8,505	541	991	461	1,345	12,950
Printing and publishing	4,008	3,036	1,682	1,546	3,481	2,507	16,260
Insurance	1,742	13,323	-	23,993	-	4,131	43,189
Professional fees	627	177	134	150	-	10,324	11,412
Training	385	90	-	-	38	3,794	4,307
Miscellaneous	835	464	232	1,009	483	4,832	7,855
Food programs	19,556	30,590	-	-	-	-	50,146
Cost of sales of donated LICO vehicles	-	-	118,257	-	-	-	118,257
Interest	-	262	-	4,587	-	585	5,434
Depreciation	2,941	11,654	-	32,218	-	13,824	60,637
Total expenses	\$ 161,923	\$ 197,729	\$ 240,351	\$ 364,668	\$ 98,612	\$ 140,273	\$ 1,203,556

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Fundraising	Supporting Services	Total
	General Program	Food Bank	LICO	Transitional Housing			
Salaries	\$ 80,735	\$ 59,763	\$ 8,338	\$ 154,886	\$ 31,403	\$ 44,397	\$ 379,522
Payroll taxes	7,103	5,232	724	13,629	2,763	3,898	33,349
Employee benefits	7,234	4,163	1,132	13,103	2,638	7,233	35,503
Contracted labor	-	638	37,042	-	-	1,162	38,842
Vehicle expense	1,808	18,032	2,359	11,756	39	52	34,046
Fundraising expenses	-	-	-	-	36,372	6,802	43,174
Direct program costs	36,286	247	20,053	7,446	-	-	64,032
Utilities	3,646	19,624	84	82,645	146	5,275	111,420
Accounting	-	-	-	-	-	27,307	27,307
Equipment and rental	-	5,880	-	-	-	-	5,880
Repairs and maintenance	617	9,211	-	22,940	-	1,634	34,402
Advertising	-	-	12,581	-	-	152	12,733
Supplies	2,729	8,363	811	1,925	229	1,028	15,085
Printing and publishing	3,038	1,736	992	1,912	3,147	1,976	12,801
Insurance	1,696	13,154	-	24,954	-	7,869	47,673
Professional fees	1,551	628	277	217	148	9,913	12,734
Training	593	675	-	116	7	83	1,474
Miscellaneous	683	84	89	3,384	63	5,901	10,204
Food programs	17,307	40,986	-	-	-	-	58,293
Cost of sales of donated LICO vehicles	-	-	100,333	-	-	-	100,333
Interest	-	449	-	3,045	-	-	3,494
Depreciation	8,745	12,915	-	34,329	-	10,896	66,885
Total expenses	\$ 173,771	\$ 201,780	\$ 184,815	\$ 376,287	\$ 76,955	\$ 135,578	\$ 1,149,186

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (108,258)	\$ 134,157
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,637	66,885
Amortization of debt issuance costs	116	-
(Gain) Loss from insurance claim	-	(4,262)
(Gain) Loss on sale of fixed assets	731	(10,062)
(Increase) decrease in:		
Accounts receivable	(6,529)	850
Grants receivable	(2,262)	66,804
Vehicle inventory	16,551	(21,098)
Prepaid insurance	(4,771)	1,910
Increase (decrease) in:		
Accounts payable	(1,312)	1,325
Accrued expenses	(1,564)	(869)
Net cash provided by (used in) operating activities	(46,661)	235,640
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from insurance claim	-	6,887
Proceeds from sale of fixed assets	-	65,077
Purchases of property and equipment	(238,926)	(10,284)
Net cash provided by (used in) investing activities	(238,926)	61,680
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(13,908)	(11,491)
Net change in line of credit	58,000	-
Debt issuance costs paid	(2,973)	-
Net cash provided by (used in) financing activities	41,119	(11,491)
NET INCREASE (DECREASE) IN CASH	(244,468)	285,829
CASH, BEGINNING OF YEAR	383,468	97,639
CASH, END OF YEAR	\$ 139,000	\$ 383,468
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,		
Interest paid	\$ 5,318	\$ 3,494
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of donated vehicles to property and equipment	\$ -	\$ 11,650
Assets acquired with debt	\$ 68,400	\$ -
Assets acquired with capital lease obligation	\$ 12,666	\$ -

See Notes To Financial Statements

THE LIGHTHOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Lighthouse Foundation (the “Foundation”) is a not-for-profit corporation established in December 1986. The Foundation provides the following programs:

HOUSING OPPORTUNITIES

- The Foundation offers transitional housing to individuals and families to achieve their goals of education, employment, parenting skills, job training, and ultimately obtaining permanent housing.
- Safe Harbor is an interim housing program, which is jointly operated by the Foundation and Catholic Charities of Butler to provide temporary housing to homeless individuals or families until appropriate stable housing can be obtained.
- Johnny’s Place is a recovery-focused transitional housing which provides a safe, drug-free environment for residents to focus on recovery and achieve their goals.

FOOD PROGRAMS

- The Foundation offers a weekly food pantry to over 300 families which provides fresh produce, canned goods, meat, frozen food, and fresh bakery items.
- Wellness for Everyone is a nutrition and fitness education program designed to provide low income families the opportunity to learn healthier eating habits and discover the benefits of regular exercise.
- The Foundation has partnered with the Greater Pittsburgh Community Food Bank (“GPCFB”) to operate the Produce to People program, which is a monthly distribution of fresh produce for residents of Butler County at the Butler City Farmer’s Market.
- The Full Table Weekend Backpack Feeding program is also offered by the Foundation and Grace Community Church to provide needed food to children who would otherwise not have adequate access to food during the weekends or school breaks.

LOW INCOME CAR OWNERSHIP (“LICO”)

- The Foundation provides quality vehicles at a low cost to individuals/families who are able to maintain and insure the vehicle.

GENERAL PROGRAMS

- The Foundation also offers a Whole Life Ministry to help address the immediate and emergent financial needs of individuals, families, and seniors, and provide the first steps towards rehabilitation and development. Programs offered within this ministry include Jobs For Life, Faith and Finances, Emergency Financial Assistance, and Parenting Classes.
- The Foundation offers a six week class in basic computer, Microsoft Word, and Adobe Photoshop Elements.

BASIS OF ACCOUNTING

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, report all significant receivables, payables, and other liabilities as prescribed by accounting principles generally accepted in the United States of America ("GAAP").

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

FINANCIAL STATEMENT PRESENTATION

Accounting Standards require the Foundation to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following is a description of the two net asset categories:

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets not subject to donor-imposed stipulations are classified as without restrictions. Net assets not subject to donor-imposed stipulations designated by the board of directors that require a board of director approval to be expended are also classified as without restriction. Contributions received with donor-imposed restrictions that are met in the same year in which contributions are received are classified as contributions without restrictions.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time, or are those for which donors require the funds to be maintained permanently.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Foundation considers all of its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

INVENTORIES

The Foundation accepts contributions of vehicles for resale. These contributed vehicles are recorded at their National Automobile Dealers Association private party value at the date of receipt and are classified as vehicle inventory in the statements of financial position.

PROPERTY AND EQUIPMENT

It is the Foundation's policy to capitalize property and equipment expenditures over \$1,000. Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at the estimated fair value on the date of transfer. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which are generally 40 years for buildings and improvements to real property, 15 years for equipment, and 5 years for office equipment and software. Leasehold improvements are depreciated over the life of the lease.

LONG-LIVED ASSETS HELD FOR SALE

Long-lived assets held for sale in the accompanying statements of net position represents the assets associated with the Foundation's previous office space. The Foundation measures its assets held for sale at the lower of the carrying amount or estimated fair value less costs to sell.

REVENUE RECOGNITION

The Foundation's primary funding sources consist of local churches and other religious organizations and individuals, substantially all of whom are situated in or near Southwestern Pennsylvania. Additional revenues are received from program service charges.

Support from corporate foundations and private grants are recorded when the award is made and any related conditions are met. Such support is recorded as without restrictions or with restrictions depending upon the existence of conditions placed upon the use of the award by the donor. Program service fees are recorded when earned.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEBT ISSUANCE COSTS

Debt issuance costs represent costs associated with financing long-term debt. Accounting standards require that debt issuance costs be shown net of the related long-term debt. The costs are amortized over the term of the related debt and recorded as interest expense. Accumulated amortization was \$116 as of December 31, 2018. Amortization of debt issuance costs was \$116 for the year ended December 31, 2018.

INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

In general, the Foundation's tax positions for open tax years remain subject to examination by the tax authorities in the jurisdictions in which the Foundation operates.

ADOPTED PRONOUNCEMENT

The requirements of the following Financial Accounting Standards Board ("FASB") statement was adopted for the Foundation's financial statements:

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires not-for-profit entities to revise financial presentation including: net asset classifications, providing quantitative and qualitative information as to available resources and management of liquidity and liquidity risk, information on investment expenses and returns, and the presentation of operation cash flows. The amendment in ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and requires retrospective application. The Foundation adopted the new standard as of and for the year ended December 31, 2018, and there were no material changes to the statements of financial position, statements of activities, statements of functional expenses, or statements of cash flows as a result of the adoption. Additional disclosure requirements that resulted from the adoption are found in Notes 1, 11, and 13.

THE LIGHTHOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 17, 2019, the date the financial statements were available to be issued.

2. GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31, 2018 and 2017:

Grant Description	12/31/17 Balance	Grants Awarded During 2018	Grants Received During 2018	12/31/18 Balance
Butler County - CSBG	\$ 1,000	\$ 7,272	\$ 6,000	\$ 2,272
Butler County - HSDF & HAP	28,410	23,600	31,210	20,800
Total government grants	29,410	30,872	37,210	23,072
Private grants	-	131,300	122,700	8,600
Total	<u>\$ 29,410</u>	<u>\$ 162,172</u>	<u>\$ 159,910</u>	<u>\$ 31,672</u>

Grant Description	12/31/16 Balance	Grants Awarded During 2017	Grants Received During 2017	12/31/17 Balance
HUD Operations	\$ 90,476	\$ -	\$ 90,476	\$ -
Butler County - CSBG	3,538	6,000	8,538	1,000
Butler County - HSDF & HAP	2,200	36,100	9,890	28,410
Total government grants	96,214	42,100	108,904	29,410
Private grants	-	361,657	361,657	-
Total	<u>\$ 96,214</u>	<u>\$ 403,757</u>	<u>\$ 470,561</u>	<u>\$ 29,410</u>

3. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 1,218,984	\$ 1,584,927
Leasehold improvements	171,011	-
Equipment	102,246	60,057
Software	9,870	9,870
Furniture and fixtures	43,062	42,955
Vehicles	62,645	65,570
Land	<u>134,019</u>	<u>99,269</u>
 Total	 1,741,837	 1,862,648
 Less accumulated depreciation	 <u>482,894</u>	 <u>779,507</u>
 Property and equipment, net	 <u>\$ 1,258,943</u>	 <u>\$ 1,083,141</u>

Depreciation expense was \$60,637 and \$66,885 for the years ended December 31, 2018 and 2017, respectively.

4. LONG-LIVED ASSETS HELD FOR SALE

Long-lived assets held for sale were comprised of the following as of December 31, 2018:

Building and improvements	\$ 417,711
Equipment	14,442
Furniture and fixtures	<u>5,725</u>
 Total	 437,878
 Less accumulated depreciation	 <u>355,056</u>
 Long-lived assets held for sale	 <u>\$ 82,822</u>

During May 2019, the Foundation sold the long-lived assets held for sale for approximately \$338,000, which resulted in a gain of approximately \$255,000.

5. NOTES PAYABLE

The Foundation has the following notes payable at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Note payable to First National Bank of Pennsylvania, payable in 180 monthly installments. The first 60 installments will be at \$845 with an annual interest rate of 4.97%. The remaining 120 installments will be at \$845 with an annual interest rate based on The Federal Home Loan Bank of Pittsburgh Five Year Rate, plus a margin of 3.00%. All principal and accrued interest are due in January 2029. The note is secured by a first lien on the property at 819-821 East Brady Street, Butler, Pennsylvania.	\$ 49,144	\$ 56,594
Note payable to First National Bank of Pennsylvania, payable in monthly installments of \$406 with the balance due and payable in November 2019, at an annual interest rate of 3.99%. The note is secured by the vehicle purchased.	4,368	8,955
Note payable to First National Bank of Pennsylvania, payable in 180 monthly installments. The first 60 installments will be at \$526 with an annual interest rate of 4.50%. The remaining 120 installments will be at \$581 with an annual interest rate based on The Federal Home Loan Bank of Pittsburgh Five Year Rate, plus a margin of 3.50%. All principal and accrued interest are due in May 2033. The note is secured by a first lien on the property at 450 E. Jefferson Street, Butler, Pennsylvania.	<u>66,529</u>	<u>-</u>
Total notes payable	120,041	65,549
Less current portion	15,040	12,318
Less debt issuance costs	<u>2,857</u>	<u>-</u>
Long-term portion	<u>\$ 102,144</u>	<u>\$ 53,231</u>

THE LIGHTHOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Scheduled principal payments on notes payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 15,040
2020	11,782
2021	12,364
2022	12,974
2023	13,373
Thereafter	<u>54,508</u>
Total	<u>\$ 120,041</u>

6. LINE OF CREDIT

The Foundation opened a secured line of credit in December 2013 with First National Bank. The line of credit is in the amount of \$100,000 with interest charged at the prime rate (5.50% at December 31, 2018) plus 0.5%. The outstanding balance as of December 31, 2018 was \$58,000. The Foundation did not have any borrowings on this line of credit as of December 31, 2017.

7. OPERATING LEASES

During 2016, the Foundation entered into a two year operating lease for equipment, which ended November 2018. Rent expense was \$5,390 and \$5,880 for the years ended December 31, 2018 and 2017, respectively.

During April 2018, the Foundation entered into an operating lease for 7,850 square feet of office space that expires March 2026. The lease calls for base rent of \$8,504 per month; however, the lessor is donating the office space to the Foundation. As a result, the Foundation has recorded \$76,538 as donated rent income and expense on the statement of activities for the year ended December 31, 2018.

8. OBLIGATION UNDER CAPITAL LEASE

The Foundation entered into a capital lease agreement on December 31, 2018 to purchase a forklift, bearing interest at 4.75%. The lease is payable in 36 monthly installments of \$378. The lease agreement is collateralized by the related forklift. The forklift held under this capital lease as of December 31, 2018 had a cost of \$12,666 and no accumulated depreciation.

THE LIGHTHOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Scheduled capital lease payments are as follows for the years ending December 31:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 4,538
2020	4,538
2021	<u>4,538</u>
Total	13,614
Less amount representing interest	<u>(948)</u>
Present value of net minimum lease payments	12,666
Less current portion	<u>(4,023)</u>
Long term obligation	<u><u>\$ 8,643</u></u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

<u>Grant Description</u>	<u>12/31/17 Balance</u>	<u>Grants Awarded During 2018</u>	<u>Net Assets Released During 2018</u>	<u>12/31/18 Balance</u>
Butler County - CSBG	\$ -	\$ 7,272	\$ 7,272	\$ -
Butler County - HSDF & HAP	31,000	23,600	53,368	1,232
Emergency Shelter	-	5,200	5,200	-
Private grants	<u>211,974</u>	<u>124,600</u>	<u>228,077</u>	<u>108,497</u>
Total	<u><u>\$242,974</u></u>	<u><u>\$160,672</u></u>	<u><u>\$ 293,917</u></u>	<u><u>\$109,729</u></u>

<u>Grant Description</u>	<u>12/31/16 Balance</u>	<u>Grants Awarded During 2017</u>	<u>Net Assets Released During 2017</u>	<u>12/31/17 Balance</u>
HUD Operations	\$ 8,288	\$ -	\$ 8,288	\$ -
Butler County - CSBG	-	6,000	6,000	-
Butler County - HSDF & HAP	3,073	36,100	8,173	31,000
Private grants	<u>28,920</u>	<u>360,157</u>	<u>177,103</u>	<u>211,974</u>
Total	<u><u>\$ 40,281</u></u>	<u><u>\$402,257</u></u>	<u><u>\$ 199,564</u></u>	<u><u>\$242,974</u></u>

10. DONATED GOODS AND SERVICES

During the years ended December 31, 2018 and 2017, the Foundation's food programs distributed approximately 852,000 pounds and 1.3 million pounds, respectively, of donated products received from the GPCFB. The fair value of the donated products is determined by the GPCFB, and approximates \$1.3 million and \$2.1 million for the years ended December 31, 2018 and 2017, respectively. The contract with the GPCFB does not transfer control (i.e. variance power) of the donated products to the Foundation; therefore, the Foundation has not recognized the fair value of the donated products on the accompanying financial statements.

A substantial number of volunteers have donated significant amounts of their time to the Foundation's program services. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under Accounting Standards.

11. FUNCTIONAL ALLOCATIONS OF EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis (i.e. time and effort) that was consistently applied.

12. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in two financial institutions located in Pittsburgh, Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Foundation did not have any uninsured cash balances that exceeded the FDIC limit as of December 31, 2018. The Foundation's uninsured cash balances totaled \$143,654 as of December 31, 2017.

13. LIQUIDITY

In managing the Foundation's financial assets, an important consideration is to ensure sufficient liquidity. Financial asset liquidity as of December 31, 2018 is as follows:

Financial assets, at year end:	
Cash	\$ 139,000
Accounts receivable	6,529
Grants receivable	<u>31,672</u>
Total financial assets at year end	177,201
Less those unavailable for general expenditures within one year, due to, donor restrictions:	
Cash	78,057
Grants receivable	<u>31,672</u>
	<u>109,729</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 67,472</u>

The Foundation is primarily supported by donations, grants, and program revenues, which are used to provide services to individuals and families in northern Allegheny and Butler Counties, as well as pay for the management and administrative expenses of the Foundation.
