

LIFELINE CHRISTIAN MISSION

Financial Statements
With Independent Auditors' Report

December 31, 2018

LIFELINE CHRISTIAN MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifeline Christian Mission
Westerville, Ohio

We have audited the accompanying financial statements of Lifeline Christian Mission (Organization) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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.

Board of Directors
Lifeline Christian Mission
Westerville, Ohio

Opinion

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

Emphasis of Matter

As described in Note 14 to the financial statements, an error was identified in previously reported net assets, as of January 1, 2018. The Organization did not include an accounts receivable for meal pack events during the period ended December 31, 2017. The retrospective adjustment increased accounts receivable and meal pack revenue by approximately \$100,000. Our opinion is not modified with respect to this matter.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2018, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Greenwood, Indiana
October 2, 2019

LIFELINE CHRISTIAN MISSION

Statement of Financial Position

December 31, 2018

ASSETS:	
Cash and cash equivalents	\$ 295,010
Investments	128,000
Accounts receivable	123,658
Inventory	67,921
Property and equipment—net	<u>3,853,658</u>
Total Assets	<u>\$ 4,468,247</u>
LIABILITIES AND NET ASSETS:	
Liabilities:	
Accounts payable	\$ 756,581
Accrued expenses	286,604
Building payable	40,310
Deferred liabilities	130,907
Line of credit	379,989
Debt net of debt issuance costs	<u>783,983</u>
Total liabilities	<u>2,378,374</u>
Net assets:	
Without donor restrictions	1,722,926
With donor restrictions	<u>366,947</u>
Total net assets	<u>2,089,873</u>
Total Liabilities and Net Assets	<u>\$ 4,468,247</u>

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ACTIVITIES:			
Support:			
Contributions	\$ 3,006,851	\$ 18,101	\$ 3,024,952
Mission trips	1,374,240	40,345	1,414,585
Gifts-in-kind	1,271,839	-	1,271,839
Child sponsorship	986,911	-	986,911
Gifts to children	156,582	8,639	165,221
Children ministries	49,452	-	49,452
	6,845,875	67,085	6,912,960
Revenue:			
Meal pack revenue	1,460,624	-	1,460,624
School revenue	240,406	-	240,406
Other income	76,792	-	76,792
	1,777,822	-	1,777,822
Total support and revenue	8,623,697	67,085	8,690,782
RECLASSIFICATIONS:			
Satisfaction of program restrictions	218,710	(218,710)	-
	218,710	(218,710)	-
EXPENSES:			
Program services:			
International ministries	2,198,376	-	2,198,376
Outreach ministries	5,319,575	-	5,319,575
Total program services	7,517,951	-	7,517,951
Supporting activities:			
Management and general	1,166,524	-	1,166,524
Fundraising	394,289	-	394,289
Total supporting activities	1,560,813	-	1,560,813
Total expenses	9,078,764	-	9,078,764
Change in Net Assets	(236,357)	(151,625)	(387,982)
Net Assets, Beginning of Year			
As previously reported	1,859,536	518,572	2,378,108
Prior period adjustment-Note 14	99,747	-	99,747
As restated	1,959,283	518,572	2,477,855
Net Assets, End of Year	\$ 1,722,926	\$ 366,947	\$ 2,089,873

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Cash Flows

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (387,982)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	233,574
Loss on disposal of property and equipment	18,263
Changes in:	
Accounts receivable	(9,349)
Inventory	96,753
Accounts payable	31,742
Accrued expenses	14,193
Deferred liabilities	105,812
Net Cash Provided by Operating Activities	<u>103,006</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(3,000)
Purchase of property and equipment	(163,003)
Proceeds from sale of property and equipment	300
Net Cash Used by Investing Activities	<u>(165,703)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	19,500
Repayments on line of credit	(8,000)
Borrowings on debt	60,825
Payments on debt	(40,676)
Net Cash Provided by Financing Activities	<u>31,649</u>

CHANGE IN CASH AND CASH EQUIVALENTS

(31,048)

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>326,058</u>
End of year	<u>\$ 295,010</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Property acquired through debt	<u>\$ 425,132</u>
Construction in process additions included in accounts and building payables	<u>\$ 55,421</u>
Cash paid during the year for interest expense	<u>\$ 93,886</u>

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Supporting Activities			Total
	International Programs	Outreach Ministries	Total Program	Management and General	Fundraising	Total Supporting	
Salaries and benefits	\$ 968,418	\$ 1,590,533	\$ 2,558,951	\$ 480,190	\$ 281,727	\$ 761,917	\$ 3,320,868
Food and nutrition	513,676	1,242,643	1,756,319	-	-	-	1,756,319
Travel and shipping	425,644	1,069,536	1,495,180	15,445	24,454	39,899	1,535,079
Supplies, equipment, and maintenance	136,259	1,097,919	1,234,178	90,917	8,842	99,759	1,333,937
Office expenses	47,213	97,239	144,452	162,149	36,170	198,319	342,771
Depreciation and amortization	56,993	141,541	198,534	35,040	-	35,040	233,574
Other	50,173	80,164	130,337	382,783	43,096	425,879	556,216
Total	\$ 2,198,376	\$ 5,319,575	\$ 7,517,951	\$ 1,166,524	\$ 394,289	\$ 1,560,813	\$ 9,078,764

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

1. NATURE OF ORGANIZATION:

Lifeline Christian Mission (Organization) is a nonprofit organization. The primary purpose of the Organization is to construct and operate churches, schools and medical facilities in Haiti, Honduras, El Salvador, Cuba, Canada, Guatemala, Panama, Ecuador and Red Sands (USA). In addition, the Organization provides charitable relief in the form of food and medical supplies to the citizens of those countries.

The Organization's outreaches are funded by contributions from churches and individuals throughout the country, a majority of which are located in the Midwest.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Organization prepares its financial statements on the accrual basis of accounting. The Organization uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The more significant accounting policies are described below.

CASH, CASH EQUIVALENTS AND CREDIT RISK

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. While the Organization's cash equivalents at times may exceed federally insured limits, the Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on these accounts. As of December 31, 2018, approximately \$69,000 was in excess of federally insured limits.

INVESTMENTS AND CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk include investments held in a time certificate with The Solomon Foundation (see Note 12) of \$128,000 as of December 31, 2018. The time certificate with TSF is a deposit investment that represents unsecured and uninsured debt obligations of The Solomon Foundation with a maturity date of May 31, 2022. The certificate is reported at cost and bears interest at 4.75 percent. The certificate includes an early withdrawal penalty of 3%. Interest earned on the certificate is reported in other income on the statement of activities.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

The accounts receivable, carried at net realizable value, consist of miscellaneous receivables. Management has made no provision for uncollectible accounts for the year ended December 31, 2018, as all accounts receivable were deemed collectible by management and are expected to be collected within one year. Uncollectible accounts are determined by management on a case-by-case basis.

INVENTORY

Inventory procured by the Organization is stated at the lower of cost or net realizable value. The Organization receives donations of medical supplies, clothing and food for use in its outreach programs. Gifts-in-kind contributions are valued at their estimated fair value on the date of donation. Fair value is determined using the market approach whereby the Organization uses prices and other relevant information generated for market transactions involving comparable assets.

FIXED ASSETS AND DEPRECIATION

Property and equipment purchased by the Organization are recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,000 with a useful life in excess of one year. The fair value of donated fixed assets are similarly capitalized without donor restriction unless explicit donor stipulations specify the use of the asset, in which the donor restriction is released when the property and equipment is placed in service. Some of the property and equipment is held outside the United States and could be seized by the local governments without warning or reason. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

Building and improvements	15-39 years
Furniture and equipment	5-7 years
Vehicles	7-15 years

NET ASSETS

Net assets and changes therein are reported as follows:

Net assets without donor restrictions—are amounts currently available for ministry purposes under the direction of the board of directors and invested in property and equipment.

Net assets with donor restrictions—are contributed with donor stipulations for specific operating purposes or programs, with time restrictions or not currently available for use until commitments regarding their use have been fulfilled.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND RECLASSIFICATIONS

Revenue is reported when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of purpose restrictions. If the donor restriction is fulfilled in the same year in which the contribution is received, the Organization reports the support as without donor restrictions.

EXPENSES, ADVERTISING AND JOINT COSTS

Expenses are reported when incurred and reported on the functional basis on the statement of functional expenses. Accordingly, certain costs, such as salaries and benefits, and depreciation have been allocated among the program services and supporting activities benefited. For the year ended December 31, 2018, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. The Organization advertises its programs in various media. All advertising costs are expensed as incurred. The Organization's advertising expense was approximately \$12,000 for the year ended December 31, 2018. The Organization incurred no joint costs for the year ended December 31, 2018.

ADOPTION OF NEW ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe the categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses were expanded.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets

Cash and cash equivalents	\$ 295,010
Investments	128,000
Accounts receivable	123,658
Financial assets, at year end	<u>546,668</u>

Less those unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:

Time or purpose donor restrictions	(165,200)
	<u>(165,200)</u>

Financial assets available to meet cash needs for general expenditures within one year \$ 381,468

The Organization is substantially supported by contributions, which at times are received with restrictions. Those contributions with donor restriction require resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has \$366,947 in net assets with donor restrictions for projects and missions, of which \$201,747 is considered available to meet needs for general expenditures within one year. In the event of an unanticipated liquidity need, the Organization also could draw upon its available revolving line of credit up to \$380,000.

4. INVENTORY:

Inventory consists of:

Meal pack supplies	\$ 41,154
General donations	24,313
Medical donations	2,454
	<u>67,921</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

5. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	As of December 31, 2018		
	United States	Foreign Countries	Total
Land	\$ 31,000	\$ 202,074	\$ 233,074
Buildings and improvements	1,421,632	2,995,299	4,416,931
Furniture	55,900	53,986	109,886
Equipment	95,846	446,312	542,158
Vehicles	151,992	399,299	551,291
Software	96,542	-	96,542
	1,852,912	4,096,970	5,949,882
Less accumulated depreciation	(294,754)	(1,923,745)	(2,218,499)
	1,558,158	2,173,225	3,731,383
Construction in process	-	122,275	122,275
	\$ 1,558,158	\$ 2,295,500	\$ 3,853,658

Depreciation expense for the year ended December 31, 2018, was \$231,469.

The Organization capitalized interest costs as a component of construction process based on the weighted-average rates paid for long-term borrowing. Total interest costs incurred during the year ended December 31, 2018, consist of the following:

Interest cost capitalized	\$ 7,893
Interest cost charged to expense	85,993
Total interest incurred	\$ 93,886

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

6. LINES OF CREDIT:

The Organization has a line of credit through the Solomon Foundation (see Note 12), with a maximum borrowing capacity of \$380,000. Monthly interest only payments are calculated at the annual rate of 7.75% on the outstanding balance, which expires on June 1, 2020. The Organization had \$379,989 outstanding on this line of credit as of December 31, 2018.

7. DEBT:

Debt consists of the following:

Note payable with TSF (see Note 12) which requires monthly installments of principal and interest of \$3,424 through May 2049. Note has tiered interest rate based upon outstanding balance. Interest rate at December 31, 2018, is 7.25%. The note is secured by a building.	\$ 499,990
Note payable with TSF (see Note 12) which requires monthly installments of principal and interest of \$1,194 through July 2047. Interest rate is 7.25%. The note is secured by a building.	172,564
Financing agreement with a company requiring monthly installments of principal and interest of \$905 through May 2022. Interest rate is 7.5%. Secured by two copiers.	32,332
Note payable to the landlord for tenant improvements. Monthly installments of principal of \$702 through June 2022.	29,484
Financing agreement with a company requiring monthly installments of principal and interest of \$537 through July 2022. Interest rate is 7.74%. Secured by a vehicle.	20,117
Capital lease agreement with a company requiring monthly installment payments of \$239 through December 2022. Secured by equipment.	11,713
Financing agreement with a company requiring monthly installments of principal and interest of \$317 through August 2021. Interest rate is 7.35%. Secured by a vehicle.	8,939
Financing agreement with a company requiring monthly installments of principal and interest of \$302 through July 2021. Interest rate is 7.36%. Secured by a vehicle.	8,240

(continued)

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

7. DEBT, continued:

Financing agreement with a company requiring monthly installments of principal and interest of \$307 through May 2021. Interest rate is 7.55%. Secured by a vehicle.

8,113

Financing agreement with a company requiring monthly installments of principal and interest of \$569 through August 2019. Interest rate is 7.84%. Secured by a vehicle.

4,419

795,911

Less net unamortized debt issuance costs

(11,928)

\$ 783,983

Future estimated maturities of debt are as follows:

Year Ending December 31,

2019	\$	43,734
2020		43,549
2021		40,404
2022		22,983
2023		9,039
Thereafter		636,202
		<u>636,202</u>
	\$	<u>795,911</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or period:

Legacy fund	\$ 165,200
Mission trips	76,609
Homes for Haiti	54,000
Gifts to children	53,037
Micro-finance program	10,040
BeFriend	8,061
	<hr/>
	\$ 366,947

9. OPERATING LEASES:

At December 31, 2018, the Organization had noncancelable operating leases through May 2023 for building rent and office equipment. Lease expenses for the year ended December 31, 2018, was approximately \$182,000. Minimum base lease payments for future years are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 179,207
2020	153,406
2021	153,125
2022	84,839
2023	6,245
	<hr/>
	\$ 576,822

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

10. GIFTS-IN-KIND:

The Organization receives donations of medicine and supplies for use in relief and development programs. The Organization ships all such gifts-in-kind to their project sites throughout the world.

In accordance with Interagency Standards established by the Accord Network, Lifeline Christian Mission only records the value of gifts-in-kind for which it receives and exercises variance power, which is at the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

For the year ended December 31, 2018, the Organization distributed donated inventory totaling \$3,318,348. For the year ended December 31, 2018, \$2,172,265 of donated inventory was delivered to the Organization before being distributed and the remaining amount of \$1,146,083 was shipped directly to the Organization's project sites, respectively.

11. RETIREMENT PLAN:

The Organization offers a defined contribution retirement plan through The Solomon Foundation (see Note 12). The plan provides benefits to all participating employees and contributions are immediately vested. The Organization makes contributions based on the participants' compensation. The rate of contribution was 0.5 percent of the participants' compensation as well as a match of up to 1.5 percent. The Organization's contribution was \$25,309 for the year ended December 31, 2018.

12. RELATED PARTY TRANSACTIONS:

The President of TSF is on the board of the Organization. The Organization has assets consisting of cash equivalents of \$69,068 (see Note 2) and a time certificate of \$128,000 (see Note 2) on deposit at TSF for the year ended December 31, 2018. The Organization has liabilities consisting of \$379,989 for a line of credit (see Note 6) and an additional \$672,554 for two notes payable (see Note 7), and made contributions to a retirement plan administered by TSF for \$25,309 (see Note 11), as of December 31, 2018.

The Organization owes its President approximately \$31,000 for reimbursable business expenses as of December 31, 2018.

The Organization sent funds to an affiliated non-profit in Canada of approximately \$25,000 and received approximately \$25,000 in support from the non-profit during the year ended December 31, 2018. The President of the Organization is also the President of the affiliated non-profit.

The Organization's board members contributed approximately \$47,000 during the year ended December 31, 2018.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2018

13. PRIOR PERIOD ADJUSTMENTS:

An error was identified in previously reported net assets, as of January 1, 2018. The Organization did not record accounts receivable for revenue related to meal pack events for the period ended December 31, 2017. The retrospective adjustment increased accounts receivable and meal pack event revenue by approximately \$100,000.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 2, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.