

**Lighthouse Covenant Church
Balance Sheet
December 31, 2017 and 2016**

ASSETS

	2017	2016
	<u>(accrual basis)</u>	<u>(cash basis)</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,602,401	\$ 1,434,586
Cash – Letter of Credit	152,159	150,428
Accounts Receivable	3,775	-
Security Deposits	26,441	36,417
TOTAL CURRENT ASSETS	<u>1,784,776</u>	<u>1,621,431</u>
 LESASEHOLD IMPROVEMENTS, EQUIPMENT, FIXTURES, net	 <u>1,719,073</u>	 <u>-</u>
 TOTAL ASSETS	 <u>\$ 3,503,849</u>	 <u>\$ 1,621,431</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 9,968	\$ 19,245
Accrued expenses and other liabilities	36,414	-
Current maturities of long-term debt	83,723	-
TOTAL CURRENT LIABILITIES	<u>130,105</u>	<u>19,245</u>
 Long-term debt, net of current maturities	 <u>388,294</u>	 <u>-</u>
TOTAL LIABILITIES	<u>518,399</u>	<u>19,245</u>
 NET ASSETS		
Unrestricted	<u>2,985,450</u>	<u>1,602,186</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,503,849</u>	 <u>\$ 1,621,431</u>

Lighthouse Covenant Church
Statement of Activities
Year Ended December 31, 2017
(with comparative summarized information for the year ended December 31, 2016)

	2017 (accrual basis)	2016 (cash basis)
REVENUE AND SUPPORT		
Tithes and Offerings	\$ 3,022,802	\$ 2,090,398
Campus Expansion	624,514	668,004
Missions	65,141	86,043
Benevolence	41,683	59,587
Other revenue	60,520	25,586
TOTAL REVENUE AND SUPPORT	3,814,660	2,929,618
EXPENSES		
Ministry	1,281,438	1,182,172
Facility	584,427	326,448
Expansion	148,644	425,178
General and administrative	179,028	135,400
Missions	72,021	35,795
Benevolence	44,269	44,843
Depreciation and amortization	121,569	-
TOTAL EXPENSES	2,431,396	2,149,836
CHANGE IN UNRESTRICTED NET ASSETS	1,383,264	779,782
NET ASSETS, BEGINNING OF YEAR	1,602,186	822,404
NET ASSETS, END OF YEAR	\$ 2,985,450	\$ 1,602,186

**Lighthouse Covenant Church
Statement of Cash Flows
Year Ended December 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$	1,383,264
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		121,569
(Increase) decrease in:		
Accounts receivable		(3,775)
Security deposits and restricted cash		8,245
Increase (decrease) in:		
Accounts Payable and accrued expenses		27,137

CASH FLOW FROM OPERATIONS

1,536,440

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of leasehold improvements, equipment and fixtures		(1,840,642)
--	--	-------------

CASH FLOW FROM FINANCING ACTIVITIES

Loan proceeds, net		472,017
--------------------	--	---------

INCREASE IN CASH

167,815

CASH, BEGINNING OF YEAR

1,434,586

CASH, END OF YEAR

\$ 1,602,401

Lighthouse Covenant Church
Notes to Financial Statements

1. ORGANIZATION AND PURPOSE

The Lighthouse Covenant Church (the Church) operates as a non-stock, not-for-profit religious corporation organized in the State of Maryland. The Church operates as Simple Church Simply Jesus with the primary mission of following the Great Commission of Jesus Christ by reaching the lost and making disciples. The Church is supported through contributions from the congregation which is concentrated in the Baltimore – Washington D.C. area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying 2017 financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

The accompanying 2016 financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All transactions are recognized as either cash receipts or disbursements.

Financial Statement Presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable. The Church had no permanently restricted or temporarily restricted net assets as of December 31, 2017.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in

Lighthouse Covenant Church
Notes to Financial Statements

the fiscal year in which the contributions are recognized. Tithes and offerings are recognized as revenue when received.

Donated Services: In 2017, no donated services were recorded. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet recognition criteria.

Property and Equipment: Donated assets are recorded at their fair value on the date of the gift, and other assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life while amortization of leasehold improvements is amortized straight-line over the lease term. The Church capitalizes all property and equipment with a cost of \$5,000 or more.

Income Taxes: The Church is generally exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Church has been determined by the Internal Revenue Service not to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. During the year ended December 31, 2017, the Church had no taxable unrelated business income, and accordingly, no provision for income taxes is required in the accompanying financial statements.

3. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Salaries and benefits of program employees have been directly charged to the related program.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at December 31, 2017, are as follows:

Leasehold Improvements	\$	1,597,240
Equipment		220,681
Furniture and Fixtures		22,721
		1,840,642
Accumulated Depreciation/Amortization		(121,569)
Property and Equipment - Net	\$	1,719,073

Depreciation and amortization expense totaled \$121,569 for the year ended December 31, 2017.

Lighthouse Covenant Church
Notes to Financial Statements

5. LONG-TERM DEBT

On September 14, 2016, the Church obtained a \$600,000 loan from a bank secured by a lien on the assets of the Church. The loan bears interest at 4.85% per annum with monthly payments of \$9,004 which will fully amortize the loan by the maturity date of September 14, 2023. At December 31, 2017, the principal balance was \$472,014 and accrued interest was \$1,081.

Annual maturities of the loan payable over each of the next 5 years is as follows:

December 31, 2018	\$83,723
2019	87,875
2020	92,233
2021	96,807
2022	101,608

6. LEASES

The Church leases office and worship space pursuant to a long-term operating lease agreement expiring on November 30, 2026. The agreement includes provisions for the payment of utilities, insurance, taxes and maintenance costs in addition to the rent. Additionally, the Church must pay to the landlord its proportional share of operating costs which equals 4% of the base rent annual.

The Church also rents worship space from Anne Arundel county public schools that is renewable on an annual basis and rents parking space on a month to month lease from Sage Platt. Total rent expense under these operating lease agreements was \$353,325 for the year ended December 31, 2017.

Future minimum lease payments required under the longer-term operating leases during the next five years ending December 31, 2022 are as follows:

December 31, 2018	\$345,583
2019	373,500
2020	383,892
2021	394,961
2022	406,091