

LIFELINE CHRISTIAN MISSION

Financial Statements
With Independent Auditors' Report

December 31, 2016

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, 2016, 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, 2016, and the changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Greenwood, Indiana
August 9, 2017

LIFELINE CHRISTIAN MISSION

Statement of Financial Position

December 31, 2016

ASSETS:	
Cash and cash equivalents	\$ 509,924
Prepaid expenses and other assets	8,710
Inventory	71,688
Net investment in the lease	183,748
Property and equipment—net	<u>3,128,633</u>
Total Assets	<u>\$ 3,902,703</u>
LIABILITIES AND NET ASSETS:	
Liabilities:	
Accounts payable	\$ 439,176
Accrued expenses	224,946
Deferred revenue	22,153
Line of credit	476,180
Debt	<u>283,147</u>
Total liabilities	<u>1,445,602</u>
Net assets:	
Unrestricted:	
Available for operations	(1,101,490)
Equity in property and equipment	<u>3,029,234</u>
	1,927,744
Temporarily restricted	<u>529,357</u>
Total net assets	<u>2,457,101</u>
Total Liabilities and Net Assets	<u>\$ 3,902,703</u>

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions and grants:			
Cash	\$ 1,161,751	\$ 2,949,974	\$ 4,111,725
Gifts-in-kind	638,677	-	638,677
Mission trips	-	1,517,704	1,517,704
Child sponsorship	-	1,067,914	1,067,914
Children ministries	-	156,420	156,420
Gifts to children	-	227,769	227,769
School revenue	197,725	-	197,725
Other income	38,895	-	38,895
	<u>2,037,048</u>	<u>5,919,781</u>	<u>7,956,829</u>
RECLASSIFICATIONS:			
Satisfaction of program restrictions	6,075,295	(6,075,295)	-
	<u>6,075,295</u>	<u>(6,075,295)</u>	<u>-</u>
EXPENSES:			
Program services:			
International ministries	4,885,544	-	4,885,544
Outreach ministries	1,584,659	-	1,584,659
Total program services	<u>6,470,203</u>	<u>-</u>	<u>6,470,203</u>
Supporting activities:			
Management and general	945,934	-	945,934
Fundraising	311,181	-	311,181
Total supporting activities	<u>1,257,115</u>	<u>-</u>	<u>1,257,115</u>
Total expenses	<u>7,727,318</u>	<u>-</u>	<u>7,727,318</u>
Change in Net Assets	385,025	(155,514)	229,511
Net Assets, Beginning of Year	<u>1,542,719</u>	<u>684,871</u>	<u>2,227,590</u>
Net Assets, End of Year	<u>\$ 1,927,744</u>	<u>\$ 529,357</u>	<u>\$ 2,457,101</u>

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Cash Flows

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 229,511
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Donated gifts-in-kind	(638,677)
Distributed inventory	654,112
Contribution of property and equipment	(14,097)
Depreciation	169,284
Loss on disposal	10,066
Changes in:	
Prepaid expenses	5,405
Inventory	16,450
Accounts payable	13,412
Accrued expenses	53,635
Deferred revenue	22,153
Net Cash Provided by Operating Activities	<u>521,254</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(191,368)
Increase in construction in process	(144,424)
Proceeds from sale of property and equipment	44,662
Net Cash Used by Investing Activities	<u>(291,130)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	322,090
Repayments on line of credit	(225,497)
Payments on debt	(20,195)
Net Cash Provided by Financing Activities	<u>76,398</u>

CHANGE IN CASH AND CASH EQUIVALENTS 306,522

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>203,402</u>
End of year	<u>\$ 509,924</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest expense (none capitalized)	<u>\$ 43,297</u>
Assets purchased with long term borrowings	<u>\$ 113,353</u>

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services			Supporting Activities			Total
	International Programs	Outreach Ministries	Total Program	Management and General	Fundraising	Total Supporting	
Distributed inventory	\$ 649,346	\$ 4,766	\$ 654,112	\$ -	\$ -	\$ -	\$ 654,112
Ministry projects	653,495	276	653,771	-	-	-	653,771
Payroll and payroll tax	1,643,735	605,989	2,249,724	388,676	136,398	525,074	2,774,798
Travel	958,442	49,827	1,008,269	8,205	37,707	45,912	1,054,181
Professional fees	16,224	-	16,224	23,481	-	23,481	39,705
Postage and freight	43,186	138,324	181,510	10,867	-	10,867	192,377
Printing and mailing	-	-	-	-	12,901	12,901	12,901
Taxes and licenses	21,684	4,901	26,585	-	-	-	26,585
Employee benefits	40,198	65,937	106,135	147,524	10,990	158,514	264,649
Depreciation	156,962	-	156,962	12,322	-	12,322	169,284
Repairs and maintenance	187,812	1,913	189,725	57,365	-	57,365	247,090
Rent	-	12,917	12,917	115,317	-	115,317	128,234
Telephone	-	-	-	11,711	-	11,711	11,711
Office supplies	66,873	-	66,873	26,107	-	26,107	92,980
Promotional items	-	-	-	-	113,185	113,185	113,185
Insurance	317	-	317	12,406	-	12,406	12,723
Utilities	89,552	-	89,552	20,287	-	20,287	109,839
Accounting fees	6,362	-	6,362	49,086	-	49,086	55,448
Interest expense	-	-	-	60,060	-	60,060	60,060
Miscellaneous	76,053	-	76,053	2,520	-	2,520	78,573
Food and nutrition	157,147	686,192	843,339	-	-	-	843,339
Medicine	24,424	-	24,424	-	-	-	24,424
Supplies and equipment	93,732	13,617	107,349	-	-	-	107,349
Total	\$ 4,885,544	\$ 1,584,659	\$ 6,470,203	\$ 945,934	\$ 311,181	\$ 1,257,115	\$ 7,727,318

See notes to financial statements

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

1. NATURE OF ORGANIZATION:

Lifeline Christian Mission (Organization) is a non-profit 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 and Navajo Trails (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.

INVENTORY

Inventory procured by the Organization is stated at the lower of cost or fair value. The Organization also 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. This approach uses prices and other relevant information generated for market transactions involving comparable assets.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. 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:

Unrestricted net assets—are amounts currently available for ministry purposes under the direction of the board of directors and invested in property and equipment.

Temporarily restricted net assets—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.

CONTRIBUTIONS, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS

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 and grants are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are subject to assessments ranging from 0% to 40%, which are used for general and administrative expenses.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2016, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

3. INVENTORY:

Inventory consists of:

Food packing raw materials	\$	24,717
Food packing supplies		15,178
Toiletry items for distribution		31,793
		<hr/>
	\$	71,688
		<hr/> <hr/>

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	As of December 31, 2016		
	United States	Foreign Countries	Total
	<hr/>	<hr/>	<hr/>
Land	\$ 31,000	\$ 92,000	\$ 123,000
Buildings and improvements	691,462	2,964,415	3,655,877
Furniture	55,900	53,986	109,886
Equipment	51,306	454,312	505,618
Vehicles	112,816	401,623	514,439
	<hr/>	<hr/>	<hr/>
	942,484	3,966,336	4,908,820
Less accumulated depreciation	(173,129)	(1,647,045)	(1,820,174)
	<hr/>	<hr/>	<hr/>
	769,355	2,319,291	3,088,646
Construction in process	-	39,987	39,987
	<hr/>	<hr/>	<hr/>
	\$ 769,355	\$ 2,359,278	\$ 3,128,633
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

4. PROPERTY AND EQUIPMENT, continued:

Equity in property and equipment consists of the following:

Property and equipment- net	\$ 3,128,633
Net investment in the lease	183,748
	<hr/>
	3,312,381
Less related indebtedness	(283,147)
	<hr/>
	<u>\$ 3,029,234</u>

Depreciation expense for the year ended December 31, 2016, was \$169,284.

5. NET INVESTMENT IN THE LEASE:

During the year ended December 31, 2016, the Organization entered into a lease agreement as the lessor for real property. The lease was for one year and included an option to purchase the property at a set value at the end of the lease. For this option, the Organization received a fee of \$20,000. The net investment in the lease at December 31, 2016, was \$183,748. Subsequent to year end, the option period was extended 6 months.

6. LINES OF CREDIT:

Lifeline has a line of credit secured by real estate with a maximum borrowing capacity of \$175,000. Monthly interest only payments are calculated at the annual rate of 7.75% on the outstanding balance which does not have an expiration date. Lifeline had \$175,000 outstanding on this line of credit at December 31, 2016.

Lifeline has a line of credit secured by real estate 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 of \$301,180. Lifeline had \$175,000 outstanding on this line of credit at December 31, 2016.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

7. DEBT:

Debt consists of the following:

Note payable to a bank requiring monthly installments of principal and interest of \$717 through December 2017. Secured by a vehicle.	\$ 8,377
Financing agreement with a company requiring monthly installments of principal and interest of \$218 through March 2017. Interest rate 11.13%. Secured by a vehicle.	642
Financing agreement with a company requiring monthly installments of principal and interest of \$302 through July 2021. Interest rate 7.36%. Secured by a vehicle.	13,826
Financing agreement with a company requiring monthly installments of principal and interest of \$317 through August 2021. Interest rate 7.35%. Secured by a vehicle.	14,786
Financing agreement with a company requiring monthly installments of principal and interest of \$307 through May 2021. Interest rate 7.55%. Secured by a vehicle.	13,797
Capital lease agreement with a company requiring monthly installment payments of \$239 through December 2022. Secured by equipment.	17,211
Note payable to the landlord for tenant improvements. Monthly installments of principal and interest of \$702 through June 2022.	46,333
Mortgage note payable which requires interest only payments until maturity in June 2022. Interest rate is 7.3%. The note is secured by the related real estate net investment in the lease.	<u>168,175</u>
	<u>\$ 283,147</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

7. DEBT, continued:

Future estimated maturities of debt are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 30,827
2018	22,870
2019	23,754
2020	24,709
2021	20,099
Thereafter	<u>160,890</u>
	<u>\$ 283,149</u>

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

Legacy fund	\$ 40,200
Mission trips	2,600
Homes for Haiti	131,000
Relief	243,207
Gifts to children	<u>112,350</u>
	<u>\$ 529,357</u>

9. OPERATING LEASES:

At December 31, 2016, the Organization had noncancellable operating leases through June 2022 for building rent. Lease expense for the year ended December 31, 2016, was approximately \$128,000. Minimum base lease payments for future years are as follows:

Future minimum lease payments under the operating leases are:

<u>Year Ending December 31,</u>	
2017	\$ 76,661
2018	79,790
2019	82,919
2020	86,048
2021	89,177
Thereafter	<u>45,371</u>
	<u>\$ 459,966</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements

December 31, 2016

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.

For the year ended December 31, 2016, the Organization distributed donated inventory totaling \$654,112. For the year ended December 31, 2016, \$415,177 of donated inventory was delivered to the Organization before being distributed and the remaining amount of \$238,935 was shipped directly to the Organization's project sites.

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 the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

11. RETIREMENT PLAN:

The Organization has established a SIMPLE IRA retirement plan covering all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. The plan allows for employee contributions to the plan up to the maximum allowed by the Internal Revenue Service. The Organization matches 100% of each employee's contributions up to a maximum of 3% of gross wages. The Organization contributed \$26,616 for the year ended December 31, 2016. However, as of October 2016, the Organization discontinued matching SIMPLE IRA contributions.

12. MANAGEMENT'S PLANS REGARDING FINANCIAL CONDITION:

As indicated on the statement of financial position, the Organization has a deficit in unrestricted net assets approximating \$1,101,000, which is a decrease of approximately \$245,000 from the prior year. The Organization is seeking to restore this deficit as well as the borrowing of temporarily restricted net assets through significant fundraising efforts while also monitoring operating expenses. Through such efforts, the Organization believes its financial condition will improve in order to continue its charitable mission.

13. SUBSEQUENT EVENTS:

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