

# LIFELINE CHRISTIAN MISSION

Financial Statements  
With Independent Auditors' Report

December 31, 2015

# 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, 2015, and the related statement 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 qualified audit opinion.

Board of Directors  
Lifeline Christian Mission  
Westerville, Ohio

***Basis for Qualified Opinion***

The Organization did not perform an inventory count as of December 31, 2014, to record its gifts-in-kind or food pack inventory and the Organization's records do not permit adequate retroactive tests of inventory quantities. Consequently, we were unable to determine whether adjustments were necessary in the statements of activities or cash flows.

***Opinion***

In our opinion, except for the possible effects on the statements of activities and cash flows of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeline Christian Mission as of December 31, 2015, 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.

***Prior Period Adjustment***

As described in Note 11 to the financial statements, a misstatement related to unrecorded property and equipment was identified. Accordingly, a retrospective adjustment has been made to net assets. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

Greenwood, Indiana  
November 16, 2016

# LIFELINE CHRISTIAN MISSION

## Statement of Financial Position

December 31, 2015

ASSETS:	
Cash and cash equivalents	\$ 203,402
Prepaid expenses and other assets	14,115
Inventory	103,573
Asset held for sale	183,748
Property and equipment—net	<u>2,889,403</u>
Total Assets	<u>\$ 3,394,241</u>
LIABILITIES AND NET ASSETS:	
Liabilities:	
Accounts payable	\$ 425,764
Accrued expenses	171,311
Line of credit	379,587
Debt	<u>189,989</u>
Total liabilities	<u>1,166,651</u>
Net assets:	
Unrestricted:	
Available for operations	(1,346,743)
Equity in property and equipment	<u>2,883,162</u>
	1,542,719
Temporarily restricted	<u>684,871</u>
Total net assets	<u>2,227,590</u>
Total Liabilities and Net Assets	<u>\$ 3,394,241</u>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions and grants:			
Cash	\$ 735,147	\$ 2,388,241	\$ 3,123,388
Gifts-in-kind	1,286,328	-	1,286,328
Missions trips	-	1,349,403	1,349,403
Child sponsorship	-	1,095,480	1,095,480
Children ministries	-	224,950	224,950
Gifts to children	-	210,766	210,766
School revenue	103,199	-	103,199
Other income	21,723	-	21,723
	<u>2,146,397</u>	<u>5,268,840</u>	<u>7,415,237</u>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of program restrictions	4,730,969	(4,730,969)	-
	<u>4,730,969</u>	<u>(4,730,969)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program services:			
International ministries	1,360,944	-	1,360,944
Outreach ministries	5,030,627	-	5,030,627
Total program services	<u>6,391,571</u>	<u>-</u>	<u>6,391,571</u>
Supporting activities:			
Management and general	835,332	-	835,332
Fundraising	175,561	-	175,561
Total supporting activities	<u>1,010,893</u>	<u>-</u>	<u>1,010,893</u>
Total expenses	<u>7,402,464</u>	<u>-</u>	<u>7,402,464</u>
Change in Net Assets	<u>(525,098)</u>	<u>537,871</u>	<u>12,773</u>
Net Assets, Beginning of Year			
As previously reported	2,009,717	147,000	2,156,717
Prior period adjustment	58,100	-	58,100
As restated	<u>2,067,817</u>	<u>147,000</u>	<u>2,214,817</u>
Net Assets, End of Year	<u>\$ 1,542,719</u>	<u>\$ 684,871</u>	<u>\$ 2,227,590</u>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Cash Flows

Year Ended December 31, 2015

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 12,773
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Donated gifts-in-kind	(1,286,328)
Distributed inventory	1,267,819
Contribution of property and equipment	(36,986)
Depreciation	157,870
Changes in:	
Prepaid expenses	5,275
Inventory	(85,064)
Accounts payable	92,497
Accrued expenses	2,257
Net Cash Provided by Operating Activities	<u>130,113</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(27,477)
Increase in construction in process	(78,951)
Net Cash Used by Investing Activities	<u>(106,428)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	27,033
Repayments on line of credit	(21,095)
Payments on debt	(16,920)
Net Cash Used by Financing Activities	<u>(10,982)</u>

CHANGE IN CASH AND CASH EQUIVALENTS 12,703

### CASH AND CASH EQUIVALENTS:

Beginning of year	<u>190,699</u>
End of year	<u>\$ 203,402</u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest expense (none capitalized)	<u>\$ 41,721</u>
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See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services			Supporting Activities			Total
	International Programs	Outreach Ministries	Total Program	Management and General	Fundraising	Total Supporting	
Distributed inventory	\$ 1,452	\$ 1,266,367	\$ 1,267,819	\$ -	\$ -	\$ -	\$ 1,267,819
Ministry projects	500	540,486	540,986	-	-	-	540,986
Payroll and payroll tax	641,367	1,294,158	1,935,525	425,379	66,666	492,045	2,427,570
Travel	38,555	905,561	944,116	-	21,159	21,159	965,275
Professional fees	-	14,809	14,809	11,118	-	11,118	25,927
Postage and freight	156,407	72,905	229,312	12,421	-	12,421	241,733
Printing and mailing	-	-	-	-	4,776	4,776	4,776
Taxes and licenses	2,298	19,992	22,290	-	-	-	22,290
Employee Benefits	56,716	37,869	94,585	130,920	9,453	140,373	234,958
Depreciation	-	142,038	142,038	15,832	-	15,832	157,870
Repairs and maintenance	3,840	165,053	168,893	38,739	-	38,739	207,632
Rent	17,969	-	17,969	52,630	-	52,630	70,599
Telephone	-	-	-	7,268	-	7,268	7,268
Office supplies	-	88,185	88,185	13,622	-	13,622	101,807
Promotional items	-	-	-	-	73,507	73,507	73,507
Insurance	-	47	47	12,581	-	12,581	12,628
Utilities	-	108,476	108,476	19,514	-	19,514	127,990
Accounting fees	-	8,557	8,557	40,592	-	40,592	49,149
Interest expense	-	-	-	54,716	-	54,716	54,716
Miscellaneous	-	21,764	21,764	-	-	-	21,764
Food & nutrition	439,658	212,866	652,524	-	-	-	652,524
Medicine	-	22,147	22,147	-	-	-	22,147
Supplies and equipment	2,182	109,347	111,529	-	-	-	111,529
<b>Total</b>	<b>\$ 1,360,944</b>	<b>\$ 5,030,627</b>	<b>\$ 6,391,571</b>	<b>\$ 835,332</b>	<b>\$ 175,561</b>	<b>\$ 1,010,893</b>	<b>\$ 7,402,464</b>

See notes to financial statements



# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2015

### 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. Lifeline 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.

#### ASSET HELD FOR SALE

Asset held for sale relates to real property currently listed for sale and is recorded at its net realizable value.

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2015

### 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	39 years
Furniture and equipment	5-7 years
Vehicles	7 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, 2015

### 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, 2015, 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	\$	20,867
Food pack inventory awaiting distribution		<u>82,706</u>
	\$	<u><u>103,573</u></u>

### 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	As of December 31, 2015		
	United States	Foreign Countries	Total
Land	\$ 31,000	\$ 92,000	\$ 123,000
Buildings and improvements	472,706	2,832,173	3,304,879
Furniture	36,400	53,986	90,386
Equipment	27,295	451,264	478,559
Vehicles	62,806	401,623	464,429
	<u>630,207</u>	<u>3,831,046</u>	<u>4,461,253</u>
Less accumulated depreciation	(158,709)	(1,492,092)	(1,650,801)
	<u>471,498</u>	<u>2,338,954</u>	<u>2,810,452</u>
Construction in process	-	78,951	78,951
	<u><u>\$ 471,498</u></u>	<u><u>\$ 2,417,905</u></u>	<u><u>\$ 2,889,403</u></u>

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2015

4. PROPERTY AND EQUIPMENT, continued:

Equity in property and equipment consists of the following:

Property and equipment- net	\$ 2,889,403
Asset held for sale	183,748
	<hr/> 3,073,151
Less related indebtedness	(189,989)
	<hr/> <hr/> \$ 2,883,162

Depreciation expense for the year ended December 31, 2015, was \$157,870.

5. LINE OF CREDIT:

Lifeline has an unsecured line of credit 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 matures November 1, 2016.

6. 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.

\$ 16,346

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.

3,034

Mortgage note payable which requires interest only payments until maturity in October 2016. Interest rate is 7.3%. The note is secured by the related real estate available for sale.

170,609

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\$ 189,989

Future estimated maturities of debt are as follows:

Year Ending December 31,

2016	\$ 180,971
2017	9,018
	<hr/> \$ 189,989

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2015

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

Legacy fund	\$	40,150
Mission trips		230,800
Homes for Haiti		132,000
Child sponsorship		124,466
Gifts to children		157,455
		<hr/>
	\$	684,871
		<hr/> <hr/>

8. OPERATING LEASES:

The Organization is a party to various leases for real property expiring on various dates through 2019. Some of these leases provide for future rent escalations, renewal options, payments for taxes, maintenance and utilities, and insurance. Rental expenses for those leases consisted approximated \$70,600 for the year ended December 31, 2015.

Future minimum lease payments under the operating leases are:

<u>Year Ending December 31,</u>		
2016	\$	49,355
2017		9,410
		<hr/>
	\$	58,765
		<hr/> <hr/>

9. 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 \$23,939 for the year ended December 31, 2015.

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2015

10. MANAGEMENT'S PLANS REGARDING FINANCIAL CONDITION:

As indicated on the statement of financial position, the Organization has a deficit in unrestricted net assets approximating \$1.3 million as of December 31, 2015. 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.

11. PRIOR PERIOD ADJUSTMENT:

During 2015, it was discovered that the Organization had not recorded property and equipment purchases as of December 31, 2014. A prior period adjustment was made to correct this in the amount of \$58,100.

12. 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.

During March 2016, Lifeline entered into a new lease agreement for office/warehouse space in Westerville, Ohio through June 2022. Base monthly rent at inception approximates \$6,300 and escalates up to \$7,600 through the lease term.