

# LIFELINE CHRISTIAN MISSION

Financial Statements  
With Independent Auditors' Report

December 31, 2017

# 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, 2017, 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.

### *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, 2017, 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.



Greenwood, Indiana  
July 10, 2018

# LIFELINE CHRISTIAN MISSION

## Statement of Financial Position

December 31, 2017

ASSETS:	
Cash and cash equivalents	\$ 326,058
Investments	125,000
Prepaid expenses and other assets	14,562
Inventory	164,674
Property and equipment—net	<u>3,460,134</u>
Total Assets	<u>\$ 4,090,428</u>
LIABILITIES AND NET ASSETS:	
Liabilities:	
Accounts payable	\$ 709,728
Accrued expenses	272,411
Deferred rent liability	25,095
Line of credit	368,489
Debt	<u>336,597</u>
Total liabilities	<u>1,712,320</u>
Net assets:	
Unrestricted:	
Available for operations	(1,264,001)
Equity in property and equipment	<u>3,123,537</u>
	1,859,536
Temporarily restricted	<u>518,572</u>
Total net assets	<u>2,378,108</u>
Total Liabilities and Net Assets	<u>\$ 4,090,428</u>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions and grants:			
Cash	\$ 4,606,823	\$ 125,000	\$ 4,731,823
Gifts-in-kind	485,688	-	485,688
Mission trips	1,289,371	133,890	1,423,261
Child sponsorship	1,042,655	-	1,042,655
Children ministries	51,947	-	51,947
Gifts to children	178,809	7,620	186,429
School revenue	161,556	-	161,556
Other income	76,090	-	76,090
	<u>7,892,939</u>	<u>266,510</u>	<u>8,159,449</u>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of program restrictions	277,295	(277,295)	-
<b>EXPENSES:</b>			
Program services:			
International ministries	4,851,785	-	4,851,785
Outreach ministries	2,058,306	-	2,058,306
Total program services	<u>6,910,091</u>	<u>-</u>	<u>6,910,091</u>
Supporting activities:			
Management and general	1,035,029	-	1,035,029
Fundraising	293,322	-	293,322
Total supporting activities	<u>1,328,351</u>	<u>-</u>	<u>1,328,351</u>
Total expenses	<u>8,238,442</u>	<u>-</u>	<u>8,238,442</u>
Change in Net Assets	(68,208)	(10,785)	(78,993)
Net Assets, Beginning of Year	<u>1,927,744</u>	<u>529,357</u>	<u>2,457,101</u>
Net Assets, End of Year	<u>\$ 1,859,536</u>	<u>\$ 518,572</u>	<u>\$ 2,378,108</u>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Cash Flows

Year Ended December 31, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (78,993)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Contribution of property and equipment	(25,000)
Depreciation	211,841
Loss on disposal	2,755
Changes in:	
Prepaid expenses	(5,852)
Donated inventory	(92,986)
Accounts payable	270,552
Accrued expenses	47,465
Deferred rent liability	2,942
Net Cash Provided by Operating Activities	<u>332,724</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(125,000)
Purchase of property and equipment	(372,846)
Increase in construction in process	(63,603)
Proceeds from sale of lease	183,748
Net Cash Used by Investing Activities	<u>(377,701)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	383,309
Repayments on line of credit	(316,000)
Payments on debt	(206,198)
Net Cash Used by Financing Activities	<u>(138,889)</u>

CHANGE IN CASH AND CASH EQUIVALENTS (183,866)

### CASH AND CASH EQUIVALENTS:

Beginning of year	<u>509,924</u>
End of year	<u>\$ 326,058</u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest expense	<u>\$ 77,342</u>
Assets purchased with long term borrowings	<u>\$ 84,648</u>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Activities			
	International Programs	Outreach Ministries	Total Program	Management and General	Fundraising	Total Supporting	Total
Distributed inventory	\$ 367,702	\$ -	\$ 367,702	\$ -	\$ -	\$ -	\$ 367,702
Payroll and payroll tax	1,893,965	666,840	2,560,805	405,100	191,304	596,404	3,157,209
Travel	1,084,081	88,400	1,172,481	2,379	21,476	23,855	1,196,336
Professional fees	31,028	38	31,066	38,122	-	38,122	69,188
Shipping and freight	-	388,125	388,125	6,039	245	6,284	394,409
Printing and mailing	-	11	11	-	17,835	17,835	17,846
Taxes and licenses	-	225	225	-	-	-	225
Employee benefits	25,235	-	25,235	53,374	-	53,374	78,609
Depreciation	191,809	-	191,809	20,032	-	20,032	211,841
Repairs and maintenance	92,148	1,198	93,346	134,489	24,976	159,465	252,811
Rent	-	123,834	123,834	21,853	-	21,853	145,687
Telephone	1,876	-	1,876	16,051	-	16,051	17,927
Office supplies	36,285	1,685	37,970	1,015	615	1,630	39,600
Promotional items	-	22,782	22,782	-	24,737	24,737	47,519
Insurance	11,539	-	11,539	196,719	2,282	199,001	210,540
Utilities	85,343	-	85,343	15,282	-	15,282	100,625
Accounting fees	8,587	7,769	16,356	25,620	-	25,620	41,976
Interest expense	-	-	-	77,342	-	77,342	77,342
Miscellaneous	95,791	757	96,548	-	-	-	96,548
Food and nutrition	166,049	737,827	903,876	-	-	-	903,876
Medicine	9,763	-	9,763	-	-	-	9,763
Supplies and equipment	750,584	18,815	769,399	21,612	9,852	31,464	800,863
<b>Total</b>	<b>\$ 4,851,785</b>	<b>\$ 2,058,306</b>	<b>\$ 6,910,091</b>	<b>\$ 1,035,029</b>	<b>\$ 293,322</b>	<b>\$ 1,328,351</b>	<b>\$ 8,238,442</b>

See notes to financial statements

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

### 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, 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, 2017, approximately \$66,000 was in excess of federally insured limits.

#### INVENTORY

Inventory procured by the Organization is stated at the lower of cost or net realizable 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 whereby the Organization uses prices and other relevant information generated for market transactions involving comparable assets.



# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS AND CREDIT RISK

Investments consist of a time certificate with The Solomon Foundation (TSF). Financial instruments that potentially subject the Organization to credit risk include a time certificate with TSF (see Note 11) of \$125,000 as of December 31, 2017. The time certificate with TSF is a deposit investment that represents unsecured and uninsured debt obligations of The Solomon Foundation with maturity date of May 31, 2022. The certificate is reported at cost and bears interest at 4.75 percent. Interest earned on the certificate is reported in investment income on the statement of activities.

#### 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.

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### 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. If the donor restriction is fulfilled in the same year in which the contribution is received, the Organization reports the support as unrestricted. 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.

### 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.

3. INVENTORY:

Inventory consists of:

Food packing raw materials	\$ 107,982
Food packing supplies	29,240
Toiletry items for distribution	20,985
Child sponsorship gifts	<u>6,467</u>
	<u>\$ 164,674</u>

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

### 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	As of December 31, 2017		
	United States	Foreign Countries	Total
Land	\$ 31,000	\$ 202,074	\$ 233,074
Buildings and improvements	879,462	2,915,604	3,795,066
Furniture	55,900	53,986	109,886
Equipment	95,846	446,312	542,158
Vehicles	177,792	396,294	574,086
Software	96,542	-	96,542
	<u>1,336,542</u>	<u>4,014,270</u>	<u>5,350,812</u>
Less accumulated depreciation	(212,063)	(1,782,205)	(1,994,268)
	<u>1,124,479</u>	<u>2,232,065</u>	<u>3,356,544</u>
Construction in process	-	103,590	103,590
	<u>\$ 1,124,479</u>	<u>\$ 2,335,655</u>	<u>\$ 3,460,134</u>

Equity in property and equipment consists of the following:

Property and equipment- net	\$ 3,460,134
Less related indebtedness	<u>(336,597)</u>
	<u>\$ 3,123,537</u>

Depreciation expense for the year ended December 31, 2017, was \$211,841.

### 5. LINES OF CREDIT:

The Organization has a line of credit through the Solomon Foundation (see Note 11), 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 \$368,489 outstanding on this line of credit as of December 31, 2017.

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

6. DEBT:

Debt consists of the following:

Note payable with TSF (see Note 11) 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.	\$ 174,309
Financing agreement with a company requiring monthly installments of principal and interest of \$569 through August 2019. Interest rate 7.84%. Secured by a vehicle.	10,628
Financing agreement with a company requiring monthly installments of principal and interest of \$905 through May 2022. Interest rate 7.5%. Secured by two copiers.	40,436
Financing agreement with a company requiring monthly installments of principal and interest of \$537 through July 2022. Interest rate 7.74%. Secured by a vehicle.	24,806
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.	11,970
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.	11,062
Capital lease agreement with a company requiring monthly installment payments of \$239 through December 2022. Secured by equipment.	14,342
Note payable to the landlord for tenant improvements. Monthly installments of principal of \$702 through June 2022.	37,909
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.	11,135
	<hr/> <hr/> <u>\$ 336,597</u>

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

6. DEBT, continued:

Future estimated maturities of debt are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 40,915
2019	40,943
2020	38,481
2021	34,962
2022	17,125
Thereafter	<u>164,171</u>
	<u><u>\$ 336,597</u></u>

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

Legacy fund	\$ 165,200
Mission trips	136,490
Homes for Haiti	123,000
Gifts to children	<u>93,882</u>
	<u><u>\$ 518,572</u></u>

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

8. OPERATING LEASES:

At December 31, 2017, the Organization had noncancellable operating leases through June 2022 for building rent. Lease expenses for the year ended December 31, 2017, was approximately \$133,000. Minimum base lease payments for future years are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 169,878
2019	171,367
2020	144,706
2021	145,205
2022	1,010
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	\$ 632,166
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9. 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, 2017, the Organization distributed donated inventory totaling \$367,702. For the year ended December 31, 2017, \$153,481 of donated inventory was delivered to the Organization before being distributed and the remaining amount of \$214,221 was shipped directly to the Organization's project sites, respectively.

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.

10. RETIREMENT PLAN:

The Organization offers a defined contribution retirement plan through The Solomon Foundation (see Note 11). 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 \$20,806 for the year ended December 31, 2017.

# LIFELINE CHRISTIAN MISSION

## Notes to Financial Statements

December 31, 2017

11. RELATED PARTY TRANSACTIONS:

The President of TSF is on the board of the Organization. The Organization has assets consisting of cash equivalents of \$41,263 (see Note 2) and a time certificate of \$125,000 (see Note 2) for the year ended December 31, 2017. The Organization has liabilities consisting of \$368,489 for a line of credit (see Note 5) and an additional \$174,309 for a note payable (see Note 6), and made contributions to a retirement plan administered by TSF for \$20,806 (see Note 10), as of December 31, 2017.

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 \$1,264,000. 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 July 10, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.