

LIFELINE CHRISTIAN MISSION

Westerville, Ohio

Financial Statements
December 31, 2013

MULLIGAN, TOPY & CO.
Certified Public Accountants
Gahanna, Ohio



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Certified Public Accountants

196 West Johnstown Road

Gahanna, Ohio 43230-2731

614-471-1040

FAX 614-471-1068

E-Mail: stopy@mulligantopy.com

INDEPENDENT AUDITORS' REPORT

To Board of Directors
Lifeline Christian Mission
Westerville, Ohio

We have audited the accompanying financial statements of Lifeline Christian Mission (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, functional expenses and cash flows for the years 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 maintaining 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 those 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, 2013 and 2012 and the results of its operations and changes in net assets, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Gahanna, Ohio
November 5, 2014

Mulligan, Jopy & Co.

LIFELINE CHRISTIAN MISSION

Statements of Financial Position December 31,

	2013	2012
ASSETS		
Assets:		
Cash and cash equivalents	\$ 107,335	\$ 133,964
Health care tax credit receivable	1,891	1,708
Prepaid expenses	7,971	3,622
Security deposit	5,462	4,307
Property and equipment - net	2,800,447	2,594,709
Total Assets	\$ 2,923,106	\$ 2,738,310
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 284,940	
Accrued field expenses	126,383	
Credit cards payable	179,835	\$ 327,177
Payroll withholdings payable	9,522	7,076
Accrued payroll	10,703	45,230
Accrued real estate taxes	4,763	3,557
Mortgage notes payable	174,977	176,934
Line of credit	219,784	143,750
Notes payable	48,096	52,822
Total liabilities	<u>1,059,003</u>	<u>756,546</u>
Net Assets:		
Unrestricted	1,693,103	1,607,764
Restricted	171,000	374,000
Total net assets	<u>1,864,103</u>	<u>1,981,764</u>
Total Liabilities and Net Assets	\$ 2,923,106	\$ 2,738,310

See Notes to Financial Statements.

LIFELINE CHRISTIAN MISSION

Statements of Activities For the Years Ended December 31,

	2013	2012
Change in Unrestricted Net Assets:		
Revenues, support and gains:		
General ministry funds	\$ 2,067,322	\$ 1,860,961
Work crusades	1,301,809	1,242,024
Children ministries	1,227,229	244,647
Child sponsorship	993,734	957,563
Gifts to children	212,412	186,694
Gifts-in-kind	1,342,742	1,864,604
Miscellaneous	19,188	11,760
Net assets released from restriction	203,000	
Total revenues, support and gains	<u>7,367,436</u>	<u>6,368,253</u>
Expenses and losses:		
Program services	5,944,988	6,009,949
Management and general	1,224,706	1,211,283
Fund raising	112,403	121,448
Total expenses and losses	<u>7,282,097</u>	<u>7,342,680</u>
Change in unrestricted net assets	85,339	(974,427)
Change in Temporarily Restricted Net Assets:		
Contributions		284,000
Net assets released from restriction	(203,000)	
Change in temporarily restricted net assets	<u>(203,000)</u>	<u>284,000</u>
Change in Net Assets	<u>(117,661)</u>	<u>(690,427)</u>
Net Assets - Beginning of Year	1,981,764	2,672,191
Net Assets - End of Year	<u>\$ 1,864,103</u>	<u>\$ 1,981,764</u>

See Notes to Financial Statements.

LIFELINE CHRISTIAN MISSION

Statements of Cash Flows For the Years Ended December 31,

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ (117,661)	\$ (690,427)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	157,660	152,947
Loss on disposal of assets		25,357
Acquisition of property and equipment - noncash	(90,500)	(126,579)
(Increase) decrease in:		
Health care tax credit receivable	(183)	8,210
Prepaid expenses	(4,349)	356,724
Security deposit	(1,155)	
Increase (decrease) in:		
Accounts payable	284,940	
Accrued field expenses	126,383	
Credit cards payable	(147,342)	179,202
Payroll withholdings payable	2,446	735
Accrued payroll	(34,527)	5,971
Accrued real estate taxes	1,206	677
Net cash provided by (used by) operating activities	176,918	(87,183)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(264,398)	(51,000)
Proceeds from sale of property and equipment		198,218
Net cash provided by (used by) investing activities	(264,398)	147,218
Cash Flows from Financing Activities:		
Proceeds from borrowing	96,683	123,000
Payments on line of credit	(20,650)	(62,112)
Reduction of mortgage and notes payable	(15,182)	(119,158)
Net cash provided by (used by) financing activities	60,851	(58,270)
Net Increase (Decrease) in Cash	(26,629)	1,765
Cash - Beginning of Year	133,964	132,199
Cash - End of Year	\$ 107,335	\$ 133,964

See Notes to Financial Statements.

LIFELINE CHRISTIAN MISSION

Statements of Functional Expenses For the Years Ended December 31,

	Program Services		Management and General	
	2013	2012	2013	2012
Expenses and Losses:				
Wages and compensation	\$ 1,427,857	\$ 1,078,175	\$ 899,064	\$ 809,115
Office	249,842	101,560	56,374	153,381
Administration and finance	28,140	4,672	112,434	83,303
Depreciation	142,132	137,937	15,528	15,010
Development ministry			61,867	54,959
Vehicles and travel	188,946	154,834	79,439	92,610
Warehouse	12,274			2,541
General	1,042,397	729,051		364
Evangelism	284,689	212,623		
Disaster relief	1,087	372,938		
Home construction	199,554	274,923		
ABC food packing	30,017			
Health care ministries	1,241,319	1,822,865		
Laborlink ministries	1,096,734	1,095,014		
Loss on disposal of assets		25,357		
Total Expenses and Losses	\$ 5,944,988	\$ 6,009,949	\$ 1,224,706	\$ 1,211,283

See Notes to Financial Statements.

Fund Raising**Total**

2013	2012	2013	2012
\$ 69,895	\$ 77,273	\$ 2,396,816	\$ 1,964,563
37,583		343,799	254,941
		140,574	87,975
		157,660	152,947
4,925	44,175	66,792	99,134
		268,385	247,444
		12,274	2,541
		1,042,397	729,415
		284,689	212,623
		1,087	372,938
		199,554	274,923
		30,017	
		1,241,319	1,822,865
		1,096,734	1,095,014
			25,357
<u>\$ 112,403</u>	<u>\$ 121,448</u>	<u>\$ 7,282,097</u>	<u>\$ 7,342,680</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements December 31, 2013

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Lifeline Christian Mission (Lifeline) 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.

Lifeline funds its operations by seeking contributions from churches and individuals.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

These financial statements have been prepared to focus on Lifeline as a whole and to present net assets, revenues, expenses, gains, and losses based on according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of Lifeline and changes therein are classified and reported as follows:

Unrestricted net assets -- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Lifeline and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets -- Net assets subject to donor-imposed stipulations that they be maintained permanently by Lifeline. Generally, the donors of these assets permit Lifeline to use the income earned on the related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements (Continued) December 31, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the organization considers all demand deposits with banks to be cash equivalents.

Contributions

Lifeline records its contributions at their fair market value at the date of contribution and as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Lifeline reports the support as unrestricted.

Property and Equipment

Property and equipment is recorded at cost or at its estimated fair value at the date of donation, if given by gift. Depreciation is provided on the straight-line method over the following useful lives:

Furniture and equipment	5 to 7 years
Automobiles	7 years
Buildings and building improvements	39 years

Lifeline capitalizes expenditures for property and equipment of \$1,000.00 or more. Expenditures for maintenance and repairs are charged to expense as incurred. Some of the property and equipment is held outside the United States and could be seized by the local governments without warning or reason.

Federal Income Taxes

The Internal Revenue Service has ruled that Lifeline is a tax exempt organization as defined under Section 501 (c) (3) of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes has been made in the financial statements.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements (Continued) December 31, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Functional Expenses

Lifeline reports its expenses on the functional basis. Accordingly, certain costs have been allocated among program, management and general and fund-raising based on, among other things, evaluations of employee's time incurred on each.

Volunteer Services

Lifeline gratefully acknowledges the contributed services, which it receives from certain religious personnel and various lay personnel who assist in its fund raising efforts and general mission. In accordance with FASB Accounting Standards Codification ASC 958-605 *Revenue Recognition* the value of such services has not been recognized in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 – Property and Equipment - Net

Property and equipment consists of assets owned directly by Lifeline.

	2013	2012
Property and equipment		
Real estate	\$ 303,000	\$ 342,000
Buildings and improvements	2,939,231	2,662,417
Furniture	108,195	123,818
Equipment	419,436	509,102
Vehicles	<u>405,852</u>	<u>357,192</u>
Total property and equipment	4,175,714	3,955,529
Less accumulated depreciation and amortization	<u>1,375,267</u>	<u>1,360,820</u>
Property and equipment – net	\$ <u>2,800,447</u>	\$ <u>2,594,709</u>

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Notes to Financial Statements (Continued) December 31, 2013

Note 3 – Mortgages and Notes Payable

Mortgages and notes payable consists of the following: at December 31,

	2013	2012
Note payable to a bank requiring monthly installments of principal and interest of \$412 through December 29, 2015. Interest rate 0.00%. The note is secured by the related vehicle and guaranteed by an individual.	9,881	14,822
Note payable to a bank requiring monthly installments of principal and interest of \$717 through December 17, 2017. Interest rate 5.001%.	31,139	38,000
Financing agreement with a company requiring monthly installments of principal and interest of \$218 through March 3, 2017. Interest rate 11.13%.	<u>7,076</u>	<u> </u>
Total notes payable	<u>\$48,096</u>	<u>\$52,822</u>
Mortgage note payable in monthly installments of principal and interest of \$1,234 through October 2016. Interest rate is 7.3%. The note is secured by the related real estate.	<u>\$174,977</u>	<u>\$176,934</u>
Total mortgages payable	<u>\$174,977</u>	<u>\$176,934</u>

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements (Continued) December 31, 2013

Note 3 – Mortgages and Notes Payable (Continued)

Future maturities of the mortgages and notes payable are as follows:

2014	\$ 16,163
2015	16,919
2016	180,971
2017	<u>9,020</u>
Total	\$ <u>223,073</u>

Note 4 – Line of Credit

Lifeline secured a line of credit with a foundation during 2012. The credit line is for \$160,000 unless advances above the limit are approved by the lender prior to funding. Monthly interest only payments are calculated at the annual rate of 7.75% on the unpaid principal balance. The line of credit is through November 1, 2016. The outstanding balance at December 31, 2013 and 2012 is \$219,784 and \$143,750, respectively.

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Construction of Grand Goave Children's Home		\$ 90,000
Construction of Haitian Homes	<u>\$171,000</u>	<u>284,000</u>
Total	<u>\$171,000</u>	<u>\$374,000</u>

Note 6 – Supplemental Statement of Cash Flow Information

Non-Cash Transactions

During the year ended December 31, 2013, Lifeline disposed of assets having a cost of \$143,214 and accumulated depreciation of \$143,214.

During the year ended December 31, 2012, Lifeline disposed of assets having a cost of \$378,870 and accumulated depreciation of \$290,142. This disposal resulted in loss on disposal of \$88,728.

Lifeline received in-kind contributions of \$1,342,742 and \$1,864,604, recorded expenses of \$1,252,242 and \$2,367,111 and property and equipment of \$90,500 and \$126,579 for the years ended December 31, 2013 and 2012, respectively.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements (Continued) December 31, 2013

Note 6 – Supplemental Statement of Cash Flow Information (Continued)

Interest paid during 2013 and 2012 amounted to \$52,437 and \$62,353, respectively.

Note 7 – Leases

Lifeline 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.

Lifeline's future minimum non-cancelable annual lease payments for the years ending December 31 are as follows:

2014	\$ 47,256
2015	48,305
2016	49,355
2017	<u>9,410</u>
Total	<u>\$154,326</u>

Rent expense of \$67,694 and \$47,088 for 2013 and 2012, respectively; have been reported in office expense on the statements of functional expenses.

Note 8 – Related Party Transactions

The president and secretary have guaranteed the mortgage and line of credit.

The executive vice president has allowed Lifeline to charge business expenses on his personal credit card. The balance due to the executive vice president at December 31, 2013 is \$24,687.

Note 9 – Foreign Operations

In connection with its worldwide ministry, Lifeline maintains facilities in various countries outside the United States. As of December 31, 2013 and 2012, respectively, property and equipment, net of accumulated depreciation, amounted to \$1,937,019 and \$1,696,156.

Account balances relating to foreign operations are reflected in the financial statements in United States dollars.

LIFELINE CHRISTIAN MISSION

Notes to Financial Statements (Continued) December 31, 2013

Note 10 – Commitments and Contingencies

Lifeline may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management all such matters are adequately covered by insurance and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations Lifeline if disposed of unfavorably

Note 11 – Subsequent Events

Lifeline has evaluated subsequent events through November 5, 2014, the date which the financial statements were available to be issued.