

**LIGHTHOUSE FAMILY RETREAT, INC.**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2018 and 2017**

**MLR** Mersereau, Lazenby & Rockas, LLC  
*Certified Public Accountants*

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LIGHTHOUSE FAMILY RETREAT, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



Mersereau, Lazenby & Rockas, LLC

*Certified Public Accountants*

Laura E. Rockas, CPA, CFP®

Lois S. Lazenby, CPA, CFP®

Steven Wykoff, CFP®

Timothy D. Mersereau, CPA, ChFC

3469 Lawrenceville-Suwanee Rd., Suite B • Suwanee, GA 30024  
Tel 770.614.6800 • Fax 770.614.5432 • [www.CPAMLR.com](http://www.CPAMLR.com)

Board of Directors  
Lighthouse Family Retreat, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lighthouse Family Retreat, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 audits. 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 auditors' 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 Lighthouse Family Retreat, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2018 the entity adopted new accounting guidance ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

*Mersereau, Lazenby & Rockas, LLC*

Mersereau, Lazenby & Rockas, LLC  
Suwanee, GA 30024

November 20, 2019

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2018 and 2017

ASSETS		
	2018	2017
<b>CURRENT ASSETS</b>		
Cash	\$ 932,234	\$ 597,395
Investments	15,703	-
Contributions receivable	10,881	-
Other receivables	14,485	-
Inventory	9,986	1,308
Prepaid expenses and other assets	70,607	47,944
<b>TOTAL CURRENT ASSETS</b>	<b>1,053,896</b>	<b>646,647</b>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net of accumulated depreciation of \$109,517 and \$88,563 in 2018 and 2017	105,849	83,589
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>105,849</b>	<b>83,589</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,159,745</b>	<b>\$ 730,236</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,346	\$ 66,297
Accrued expenses	28,244	18,283
<b>TOTAL LIABILITIES</b>	<b>70,590</b>	<b>84,580</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Without donor restrictions - expendable	818,001	501,840
Without donor restrictions - net investment in property & equipment	105,849	83,589
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>923,850</b>	<b>585,429</b>
With donor restrictions	165,305	60,227
<b>TOTAL NET ASSETS</b>	<b>1,089,155</b>	<b>645,656</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,159,745</b>	<b>\$ 730,236</b>

See auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$2,964,697	\$ 261,534	\$3,226,231	\$2,312,402	\$ 182,227	\$2,494,629
In-kind contributions	353,838	-	353,838	245,442	-	245,442
Other income	490	-	490	941	-	941
Fundraising revenue	99,260	-	99,260	102,103	-	102,103
Direct fundraising expense	(68,388)	-	(68,388)	(31,276)	-	(31,276)
Net assets released from restrictions:						
Satisfaction of program restrictions	156,456	(156,456)	-	159,697	(159,697)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,506,353</b>	<b>105,078</b>	<b>3,611,431</b>	<b>2,789,309</b>	<b>22,530</b>	<b>2,811,839</b>
<b>EXPENSES</b>						
Program services	2,469,531	-	2,469,531	2,308,009	-	2,308,009
Management and general	257,679	-	257,679	220,183	-	220,183
Fundraising	440,722	-	440,722	368,342	-	368,342
<b>TOTAL EXPENSES</b>	<b>3,167,932</b>	<b>-</b>	<b>3,167,932</b>	<b>2,896,534</b>	<b>-</b>	<b>2,896,534</b>
<b>CHANGE IN NET ASSETS</b>	<b>338,421</b>	<b>105,078</b>	<b>443,499</b>	<b>(107,225)</b>	<b>22,530</b>	<b>(84,695)</b>
<b>NET ASSETS, Beginning of year</b>	<b>585,429</b>	<b>60,227</b>	<b>645,656</b>	<b>692,654</b>	<b>37,697</b>	<b>730,351</b>
<b>NET ASSETS, End of year</b>	<b>\$ 923,850</b>	<b>\$ 165,305</b>	<b>\$1,089,155</b>	<b>\$ 585,429</b>	<b>\$ 60,227</b>	<b>\$ 645,656</b>

See auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Compensation	\$ 564,302	\$ 83,143	\$ 237,000	\$ 884,445	\$ 500,095	\$ 70,221	\$ 220,533	\$ 790,849
Bank fees	-	37,814	-	37,814	-	38,459	1,080	39,539
Conferences and meetings	6,593	10,524	502	17,619	3,083	12,286	320	15,689
Depreciation	-	25,701	-	25,701	-	15,525	-	15,525
Insurance	13,754	2,026	5,777	21,557	14,813	1,315	4,638	20,766
Marketing and promotion	3,652	5,372	45,919	54,943	2,481	9,015	78,094	89,590
Miscellaneous expenses	6,235	7,478	3,623	17,336	1,533	7,271	845	9,649
Occupancy	51,252	8,068	21,525	80,845	69,239	6,571	16,379	92,189
Printing and postage	272	3,127	164	3,563	591	3,151	87	3,829
Professional fees	24,415	56,248	41,178	121,841	26,375	46,352	7,032	79,759
Retreat activities	604,612	-	-	604,612	508,981	-	-	508,981
Retreat housing	1,072,158	-	-	1,072,158	1,042,911	-	-	1,042,911
Supplies and materials	6,662	12,911	67,363	86,936	13,737	5,682	29,797	49,216
Telephone and technology	15,564	2,293	6,537	24,394	19,328	1,766	6,051	27,145
Travel	100,060	2,974	11,134	114,168	104,842	2,569	3,486	110,897
<b>Total</b>	<b>\$ 2,469,531</b>	<b>\$ 257,679</b>	<b>\$ 440,722</b>	<b>\$ 3,167,932</b>	<b>\$ 2,308,009</b>	<b>\$ 220,183</b>	<b>\$ 368,342</b>	<b>\$ 2,896,534</b>
<i>Percentage of total expenses</i>	<i>78%</i>	<i>8%</i>	<i>14%</i>	<i>100%</i>	<i>80%</i>	<i>8%</i>	<i>12%</i>	<i>100%</i>

See auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 443,499	\$ (84,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	25,701	15,525
Investments contributed	(16,056)	-
Net unrealized investment loss	654	-
Dividends received as investments	(301)	-
Net gain on disposal of fixed assets	(1,001)	-
(Increase) decrease in assets:		
Contributions receivable	(10,881)	
Other receivables	(14,485)	2,059
Inventory	(8,678)	9,602
Prepaid expenses and other assets	(22,663)	18,234
Increase (decrease) in liabilities:		
Accounts payable	(23,951)	35,397
Accrued expenses	9,961	(47,542)
	381,799	(51,420)
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(49,060)	(70,629)
Sale of property and equipment	2,100	-
Sale of investments	-	598
	(46,960)	(70,031)
<b>CASH USED FOR INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	334,839	(121,451)
CASH, Beginning of Year	597,395	718,846
CASH, End of Year	\$ 932,234	\$ 597,395

See auditors' report and accompanying notes to financial statements



LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 1: NATURE OF ORGANIZATION**

Lighthouse Family Retreat, Inc. ("Lighthouse" or "the Organization") is a ministry that serves families living through childhood cancer. Lighthouse was established in 1999 under the laws of the State of Georgia as a not-for-profit corporation. The Organization designs the programs to create environments on seaside retreats that provide a week away from the chaos of childhood cancer for families to rest, reconnect as a family, experience joy and find hope in God. Lighthouse is supported through the contributions of interested individuals, churches, foundations, and businesses.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or with the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor stipulates that the funds be maintained in perpetuity.

*Basis of Accounting*

The financial statements of Lighthouse have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Cash*

Cash includes all monies in banks and is held in banks covered by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of federally insured limits totaled \$390,315 and \$142,866 as of December 31, 2018 and 2017, respectively. Management believes it is not exposed to any significant credit risk on cash, although its balances have exceeded federally insured limits.

*Investments*

Investments are reported at fair value and realized and unrealized gains and losses are reflected in the statements of activities. Note 8 describes how fair value is determined.

*Inventory*

Inventory is recorded for merchandise sold through an online store. The inventory is generally sold or used within the next program year and may be purchased or donated. Inventory is recorded at cost and reflects the amount remaining at year end.

*Prepaid Expenses*

Prepaid expenses include deposits to secure housing for retreats in subsequent years and insurance premiums for coverage into the following year.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Property and Equipment*

Lighthouse capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which is generally three to seven years. Lighthouse charges maintenance and repairs to expense in the current period. Acquisitions are capitalized and depreciated each year. Gains and losses on dispositions are included in earnings in the period of disposition.

*Donated Assets*

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. These donated securities are either held for an investment or sold, depending on the discretion of management. Donated fixed assets are recorded as contributions at their estimated fair value at the date of donation. These assets are either sold or put into use as soon as feasible upon receipt of the donation.

*Revenue Recognition*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions: satisfaction of program restrictions.

*Contributed Goods and Services*

Lighthouse receives a substantial amount of services donated by volunteers in carrying out its ministry. The volunteer services received do not meet the criteria for recognition according to US GAAP. Accordingly, no amounts for contributed volunteer services have been recorded in the financial statements.

Lighthouse also receives a substantial amount of in-kind donations, such as food, housing, equipment rentals and supplies, which are used during the retreats. They also receive discounts on housing costs for retreat rentals. These donations do meet the criteria for recognition and are reported in the statement of activities as non-cash contributions and functional expenses. See Note 9 for a schedule of contributed goods and services.

*Income Taxes*

The Organization is exempt from income taxes under Internal Revenue Code (the Code) Section 501(c)(3) and the Georgia Revenue and Taxation Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

*Marketing and Promotional Events*

All costs for marketing and promotional events are expensed in the period they are incurred. Total marketing and promotional expenses for the years ended December 31, 2018 and 2017 were \$54,943 and \$89,590, respectively.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Estimates in the Financial Statements*

The preparation of financial statements in conformity with US GAAP 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. Depreciation is estimated using the straight-line method in accordance with US GAAP. Certain amounts included in the statement of functional expenses are allocated based on actual use estimated by each program. Actual results could differ from those estimates.

*Functional Allocation of Expenses*

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as compensation, rent and communications, have been allocated among the program services and supporting activities benefited.

Functional Expense	Allocation Method
Compensation	Time and effort
Insurance	Time and effort
Occupancy	Time and effort
Telephone and technology	Time and effort

*New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

**NOTE 3: AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets available within one year of the balance sheet for general expenditures at December 31:

	2018	2017
Financial assets at year-end		
Cash	\$ 932,234	\$ 597,395
Investments	15,703	-
Contributions receivable	10,881	-
Other receivables	14,485	-
Inventory	9,986	1,308
Prepaid expenses and other assets	70,607	47,944
Financial assets at year-end	<u>\$ 1,053,896</u>	<u>\$ 646,647</u>
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions: restricted by donor with time or purpose restrictions	(165,305)	(60,227)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 888,591</u>	<u>\$ 586,420</u>

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 3: AVAILABILITY AND LIQUIDITY (continued)**

The Organization regularly monitors liquidity required to meet operating needs and other commitments. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization anticipates collecting sufficient revenue to cover general expenditures which are not funded by donor restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

**NOTE 4: INVESTMENTS**

Investments are presented at fair value and are composed of securities totaling \$15,703 and \$-0- as of December 31, 2018 and 2017, respectively.

Investment income consists of:

	2018	2017
Interest and dividends	\$ 301	\$ 100
Realized losses	-	(572)
Unrealized losses	(654)	-
Total investment loss	<u>\$ (353)</u>	<u>\$ (472)</u>

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	2018	2017
Furniture and equipment	\$ 51,246	\$ 51,246
Office computers	19,008	22,044
Website	18,934	18,934
Computer software	69,450	23,200
Vehicles	56,728	56,728
	<u>215,366</u>	<u>172,152</u>
Less accumulated depreciation	(109,517)	(88,563)
Total property and equipment	<u>\$ 105,849</u>	<u>\$ 83,589</u>

Depreciation expense totaled \$25,701 and \$15,525 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 6: OPERATING LEASE**

On December 15, 2015, Lighthouse entered into a three-year lease for office space in Florida. The lease called for monthly payments of \$1,750, net of \$750 per month in-kind. On December 15, 2018 a new three-year lease agreement was renewed for the Florida office location. The new lease called for monthly payments of \$2,000.

Lighthouse entered into a lease agreement for their Georgia office space in 2016. The lease commenced in March 2016 with a term of 62 months. Monthly payments specified in the lease are \$3,268.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 6: OPERATING LEASE (continued)**

The future minimum noncancelable lease payments required under these leases are as follows:

Year ending December 31,	
2019	\$ 42,855
2020	44,159
2021	7,577
	<u>\$ 94,591</u>

Rent expense was \$44,103 and \$89,487 for the years ending December 31, 2018 and 2017, respectively.

**NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions have the following time and purpose restrictions:

	Year Ended December 31, 2018			
	Balance 12/31/2017	Restricted Revenue	Restrictions Satisfied	Balance 12/31/2018
Travel costs	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Vehicle purchase and maintenance	13,000	-	4,229	8,771
Staff support	-	100,000	100,000	-
Welcome baskets	-	5,000	5,000	-
Use in subsequent year	22,227	131,534	22,227	131,534
Total net assets with donor restrictions	<u>\$ 60,227</u>	<u>\$ 261,534</u>	<u>\$ 156,456</u>	<u>\$ 165,305</u>

  

	Year Ended December 31, 2017			
	Balance 12/31/2016	Restricted Revenue	Restrictions Satisfied	Balance 12/31/2017
Florida facility	\$ 428	\$ -	\$ 428	\$ -
Travel costs	25,000	25,000	25,000	25,000
Vehicle purchase and maintenance	-	35,000	22,000	13,000
Staff support	-	100,000	100,000	-
Use in subsequent year	12,269	22,227	12,269	22,227
Total net assets with donor restrictions	<u>\$ 37,697</u>	<u>\$ 182,227</u>	<u>\$ 159,697</u>	<u>\$ 60,227</u>

The board voted to enable the use of net assets with donor restrictions for purposes of the office space lease in Florida on November 10, 2016. Prior to this vote, the funds were restricted for use in the purchase of a permanent facility in Florida. These restrictions were fully satisfied as of December 31, 2017.

**NOTE 8: FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a hierarchy of inputs to valuation of that price using three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date. Level 2 inputs are those other than Level 1 inputs which are either directly or indirectly observable. Level 3 inputs are unobservable to the Organization.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2018 and 2017

**NOTE 8: FAIR VALUE MEASUREMENTS (continued)**

The fair values of cash and investments approximate the carrying values on the statement of financial position as the nature of the assets held by the Organization are Level 1 on the fair value scale.

**NOTE 9: IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following as of the year ended December 31:

	2018	2017
Rental facilities for retreats	\$ 160,071	\$ 134,524
Activities for retreats	169,086	91,727
Stock donations	16,056	10,191
Florida office lease donated amount	8,625	9,000
Total in-kind contributions	<u>\$ 353,838</u>	<u>\$ 245,442</u>

**NOTE 10: RETIREMENT PLAN**

Lighthouse provides a 401(k) retirement plan administered by Transamerica which covers all qualified employees. Lighthouse's contributions to the plan are discretionary. Discretionary contributions of \$20,187 and \$25,770 were made in the years ended December 31, 2018 and 2017, respectively.

**NOTE 11: RELATED PARTY TRANSACTIONS**

A spouse of an employee at Lighthouse is a sales representative for a vendor and the sole owner of another business that provides services to the Organization. Lighthouse paid these two businesses a total of \$87,263 in 2018, of which \$10,815 was for services and \$76,448 was for materials. In 2017 a total of \$55,473 was paid to these two related parties, \$375 for services and \$55,098 for materials.

**NOTE 12: CONCENTRATIONS**

In 2018 one vendor, who provides lodging for program retreats, was paid a significant amount compared to total expenses for the period. The vendor was paid \$533,575, which was approximately 17% of total expenses.

**NOTE 13: RECLASSIFICATIONS**

Certain items in the prior year financial statements have been reclassified to conform to current year presentation. The reclassification had no effect on the previously reported net assets and changes in net assets with and without donor restrictions.

**NOTE 14: SUBSEQUENT EVENTS**

Lighthouse has evaluated subsequent events through November 20, 2019, which represents the date the financial statements were available to be issued. Lighthouse is not aware of any material subsequent events.