

**LIGHTHOUSE FAMILY RETREAT, INC.**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2017 and 2016**

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

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Principled | Personal | Professional

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



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## **Independent Auditors' Report**

Board of Directors  
Lighthouse Family Retreat, Inc.

We have audited the accompanying financial statements of Lighthouse Family Retreat, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 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, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Mersereau, Lazenby & Rockas, LLC". The signature is written in a cursive, slightly slanted style.

Mersereau, Lazenby & Rockas, LLC  
Suwanee, GA 30024

November 15, 2018

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash	\$ 597,395	\$ 718,846
Investments	-	598
Due from employees	-	2,059
Inventory	1,308	10,910
Prepaid expenses and other current assets	47,944	66,178
	646,647	798,591
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$88,563 and \$73,038 in 2017 and 2016	83,589	28,485
	83,589	28,485
TOTAL PROPERTY AND EQUIPMENT		
	\$ 730,236	\$ 827,076
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 66,297	\$ 30,900
Accrued expenses	18,283	65,825
	84,580	96,725
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted		
Unrestricted - expendable	501,840	664,169
Unrestricted - net investment in property and equipment	83,589	28,485
	585,429	692,654
TOTAL UNRESTRICTED NET ASSETS		
Temporarily restricted	60,227	37,697
	645,656	730,351
TOTAL NET ASSETS		
	\$ 730,236	\$ 827,076
TOTAL LIABILITIES AND NET ASSETS		

See independent auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Pledges and contributions	\$ 2,322,593	\$ 182,227	\$ 2,504,820	\$ 2,262,820	\$ 37,269	\$ 2,300,089
In-kind contributions	235,251	-	235,251	99,865	-	99,865
Interest income	941	-	941	1,220	-	1,220
Fundraising revenue	102,103	-	102,103	286,743	-	286,743
Direct fundraising expense	(31,276)	-	(31,276)	(76,980)	-	(76,980)
Net assets released from restrictions:						
Satisfaction of program restrictions	159,697	(159,697)	-	49,595	(49,595)	-
<b>Total revenues, gains and other support</b>	<u>2,789,309</u>	<u>22,530</u>	<u>2,811,839</u>	<u>2,623,263</u>	<u>(12,326)</u>	<u>2,610,937</u>
<b>EXPENSES</b>						
Program services	2,298,891	-	2,298,891	1,915,806	-	1,915,806
Management and general	226,623	-	226,623	234,622	-	234,622
Fundraising	371,020	-	371,020	252,923	-	252,923
<b>Total expenses</b>	<u>2,896,534</u>	<u>-</u>	<u>2,896,534</u>	<u>2,403,351</u>	<u>-</u>	<u>2,403,351</u>
<b>CHANGE IN NET ASSETS</b>	<u>(107,225)</u>	<u>22,530</u>	<u>(84,695)</u>	<u>219,912</u>	<u>(12,326)</u>	<u>207,586</u>
<b>NET ASSETS, Beginning of year</b>	<u>692,654</u>	<u>37,697</u>	<u>730,351</u>	<u>472,742</u>	<u>50,023</u>	<u>522,765</u>
<b>NET ASSETS, End of year</b>	<u>\$ 585,429</u>	<u>\$ 60,227</u>	<u>\$ 645,656</u>	<u>\$ 692,654</u>	<u>\$ 37,697</u>	<u>\$ 730,351</u>

See independent auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 407,212	\$ 59,183	\$ 179,574	\$ 645,969	\$ 351,865	\$ 48,214	\$ 158,135	\$ 558,214
Payroll taxes	28,603	4,157	12,613	45,373	28,211	3,865	12,679	44,755
Employee benefits	64,280	6,881	28,346	99,507	41,299	5,088	18,560	64,947
Bank fees	-	38,459	1,080	39,539	-	39,926	-	39,926
Conferences and meetings	3,083	12,286	320	15,689	7,881	7,373	614	15,868
Depreciation	-	15,525	-	15,525	-	9,868	-	9,868
Insurance	14,813	1,315	4,638	20,766	8,089	1,838	2,679	12,606
Marketing and promotion	2,481	9,015	78,094	89,590	71,793	22,322	22,688	116,803
Miscellaneous expenses	1,533	7,271	2,772	11,576	695	3,060	325	4,080
Occupancy	69,239	4,644	16,379	90,262	48,291	9,771	14,420	72,482
Printing and postage	591	3,151	87	3,829	528	3,245	429	4,202
Professional fees	26,375	46,352	7,032	79,759	28,345	50,831	500	79,676
Retreat activities	508,981	-	-	508,981	384,658	-	-	384,658
Retreat housing	1,042,911	-	-	1,042,911	872,683	-	-	872,683
Supplies and materials	4,619	14,049	30,548	49,216	3,015	19,313	11,860	34,188
Telephone and technology	19,328	1,766	6,051	27,145	15,509	3,457	6,667	25,633
Travel	104,842	2,569	3,486	110,897	52,944	6,451	3,367	62,762
<b>Total</b>	<b>\$ 2,298,891</b>	<b>\$ 226,623</b>	<b>\$ 371,020</b>	<b>\$ 2,896,534</b>	<b>\$ 1,915,806</b>	<b>\$ 234,622</b>	<b>\$ 252,923</b>	<b>\$ 2,403,351</b>
<i>Percentage of total expenses</i>	<i>79%</i>	<i>8%</i>	<i>13%</i>	<i>100%</i>	<i>80%</i>	<i>10%</i>	<i>10%</i>	<i>100%</i>

See independent auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (84,695)	\$ 207,586
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	15,525	9,868
Net loss on disposal of fixed assets	-	342
(Increase) decrease in assets:		
Due from employees	2,059	7,687
Inventory	9,602	(10,910)
Prepaid expenses and other current assets	18,234	(8,975)
Increase (decrease) in liabilities:		
Accounts payable	35,397	11,450
Accrued expenses	(47,542)	(1,398)
	(51,420)	215,650
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(70,629)	(21,164)
Sale of investments	598	1,141
	(70,031)	(20,023)
CASH USED FOR INVESTING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH	(121,451)	195,627
CASH, Beginning of Year	718,846	523,219
CASH, End of Year	\$ 597,395	\$ 718,846

See independent auditors' report and accompanying notes to financial statements

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2017 and 2016

**NOTE 1: NATURE OF ORGANIZATION**

Lighthouse Family Retreat, Inc. ("Lighthouse"), established in 1999, is a ministry that serves families living through childhood cancer. The program is designed 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 Lighthouse have been prepared in accordance with US generally accepted accounting principles (US GAAP). Lighthouse reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Lighthouse maintains only unrestricted and temporarily restricted net assets.

*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.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash*

Cash includes all monies in banks and highly liquid investments with original maturity dates of three months or less. Cash is held in banks covered by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of federally insured limits totaled \$142,866 and \$102,067 as of December 31, 2017 and 2016, respectively. Management believes it is not exposed to any significant credit risk on cash, although its balances have exceeded federally insured limits.

*Inventory*

Inventory is recorded for significant amounts of unused retreat materials and supplies on hand at year end. These materials and supplies are generally used within the next program year and may be purchased or donated. Inventory is recorded at cost.

*Prepaid Expenses*

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

*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.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2017 and 2016

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

*Donated Assets*

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. It is Lighthouse's policy to sell these donated securities and other similar non-cash donations as soon as practicable upon receipt. 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 unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 6 for a schedule of contributed goods and services.

*Income Taxes*

Lighthouse is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the Georgia Revenue and Taxation Code, although it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Contributions to Lighthouse are tax deductible within the limitations prescribed by the Code. Lighthouse is not a private foundation under Section 509(a)(1) of the Code.

US GAAP requires a tax position to be 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. As of December 31, 2017 and 2016, Lighthouse believes it has no uncertain tax positions requiring 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, 2017 and 2016 were \$89,590 and \$116,803, respectively.

*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.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2017 and 2016

**NOTE 3: TEMPORARILY RESTRICTED NET ASSETS**

Net assets are temporarily restricted for the following purposes:

	Balance 1/1/17	Income	Expense	Balance 12/31/17
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 restricted net assets	<u>\$ 37,697</u>	<u>\$ 182,227</u>	<u>\$ 159,697</u>	<u>\$ 60,227</u>

  

	Balance 1/1/16	Income	Expense	Balance 12/31/16
Florida facility	\$ 19,678	\$ -	\$ 19,250	\$ 428
Travel costs	-	25,000	-	25,000
Use in subsequent year	30,345	12,269	30,345	12,269
Total restricted net assets	<u>\$ 50,023</u>	<u>\$ 37,269</u>	<u>\$ 49,595</u>	<u>\$ 37,697</u>

The board voted to enable the use of temporarily restricted net assets 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.

**NOTE 4: 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. The fair value of cash equals the carrying values on the statement of financial position based on (Level 1) actual cash settlements.

**NOTE 5: PROPERTY AND EQUIPMENT**

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

	2017	2016
Furniture and equipment	\$ 51,246	\$ 27,129
Office computers	22,044	23,560
Website	18,934	18,934
Computer database	23,200	23,200
Vehicle	56,728	8,700
	<u>172,152</u>	<u>101,523</u>
Less: accumulated depreciation	(88,563)	(73,038)
Total property and equipment	<u>\$ 83,589</u>	<u>\$ 28,485</u>

Depreciation expense totaled \$15,525 and \$9,868 for the years ended December 31, 2017 and 2016, respectively.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2017 and 2016

**NOTE 6: IN-KIND CONTRIBUTIONS**

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

In-kind contributions consist of:

	2017	2016
Rental facilities for retreats	\$ 134,524	\$ 80,900
Activities for retreats	91,727	9,965
Florida office lease donated amount	9,000	9,000
Total in-kind contributions	\$ 235,251	\$ 99,865

**NOTE 7: RELATED PARTY TRANSACTIONS**

A spouse of an employee at Lighthouse is a sales representative for a vendor who was paid \$48,248 and \$49,249 in 2017 and 2016, respectively.

**NOTE 8: OPERATING LEASE**

On December 15, 2015, Lighthouse entered into a three-year lease for office space in Florida. The lease calls for monthly payments of \$1,750, net of \$750 per month in-kind.

Lighthouse entered into a new lease agreement for their Georgia office space in 2016. The lease has a 62-month term and commenced in March 2016. Monthly payments specified in the lease are \$3,268. Before entering into the new lease agreement, Lighthouse was paying rent on a month-to-month basis in the amount of \$1,881.

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

Year ending December 31,	
2017	\$ 70,506
2018	69,256
2019	40,506
2020	40,506
2021	6,751
	\$ 227,525

Rent expense for the years ending December 31, 2017 and 2016 totaled \$89,487 and \$70,333, respectively.

**NOTE 9: 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 \$25,770 and \$17,260 were made in the years ended December 31, 2017 and 2016, respectively.

**NOTE 10: CONCENTRATIONS**

In 2017, one donor contributed roughly 12% of total contributions received. There is always a risk that benefactors, grantors or contributors might be lost in the near term.

**NOTE 11: RECLASSIFICATIONS**

Certain items in the prior year financial statements have been reclassified to conform to current year presentation. The reclassifications had no effect on the previously reported total changes in net assets.

LIGHTHOUSE FAMILY RETREAT, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2017 and 2016

**NOTE 12: SUBSEQUENT EVENTS**

Lighthouse has evaluated subsequent events through November 15, 2018, which represents the date the financial statements were available to be issued. Lighthouse is not aware of any material subsequent events.