



**LIGHTHOUSE COVENANT CHURCH
2018 FINANCIAL STATEMENTS**

**Lighthouse Covenant Church
Balance Sheet
December 31, 2018 and 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,322,057	\$ 1,602,401
Cash – Letter of Credit	153,910	152,159
Accounts Receivable	59,665	3,775
Inventory	12,572	-
Security Deposits	26,441	26,441
TOTAL CURRENT ASSETS	2,574,645	1,784,776
LESASEHOLD IMPROVEMENTS, EQUIPMENT, FIXTURES, net	1,710,377	1,719,073
TOTAL ASSETS	\$ 4,285,022	\$ 3,503,849

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 13,980	\$ 9,968
Accrued expenses and other liabilities	71,000	36,414
Current maturities of long-term debt	-	83,723
TOTAL CURRENT LIABILITIES	84,980	130,105
Long-term debt, net of current maturities	-	388,294
TOTAL LIABILITIES	84,980	518,399
NET ASSETS		
Unrestricted	4,200,042	2,985,450
TOTAL LIABILITIES AND NET ASSETS	\$ 4,285,022	\$ 3,503,849

Lighthouse Covenant Church
Statement of Activities
Year Ended December 31, 2018
(with comparative summarized information for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
Tithes and Offerings	\$ 4,108,395	\$ 3,022,802
Campus Expansion	107,643	624,514
Missions	56,868	65,141
Benevolence	57,665	41,683
Other revenue	32,761	60,520
TOTAL REVENUE AND SUPPORT	<u>4,363,332</u>	<u>3,814,660</u>
EXPENSES		
Ministry	1,797,493	1,281,438
Facility	677,713	584,427
Expansion	43,544	148,644
General and administrative	276,423	179,028
Missions	85,427	72,021
Benevolence	50,696	44,269
Depreciation and amortization	217,444	121,569
TOTAL EXPENSES	<u>3,148,740</u>	<u>2,431,396</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,214,592	1,383,264
NET ASSETS, BEGINNING OF YEAR	<u>2,985,450</u>	<u>1,602,186</u>
NET ASSETS, END OF YEAR	<u>\$ 4,200,042</u>	<u>\$ 2,985,450</u>

**Lighthouse Covenant Church
Statement of Cash Flows
Year Ended December 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$	1,214,592
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		217,444
(Increase) decrease in:		
Accounts receivable		(55,890)
Inventory		(12,572)
Security deposits and restricted cash		(1,751)
Increase (decrease) in:		
Accounts Payable and accrued expenses		38,598

CASH FLOW FROM OPERATIONS **1,400,421**

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of leasehold improvements, equipment and fixtures (208,748)

CASH FLOW FROM FINANCING ACTIVITIES

Loan Payoff (472,017)

INCREASE IN CASH **719,656**

CASH, BEGINNING OF YEAR **1,602,401**

CASH, END OF YEAR **\$ 2,322,057**

Lighthouse Covenant Church
Notes to Financial Statements

1. **ORGANIZATION AND PURPOSE**

The Lighthouse Covenant Church (the Church) operates as a non-stock, not-for-profit religious corporation organized in the State of Maryland. The Church operates as Simple Church Simply Jesus with the primary mission of following the Great Commission of Jesus Christ by reaching the lost and making disciples. The Church is supported through contributions from the congregation which is concentrated in the Baltimore – Washington D.C. area.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The accompanying 2018 and 2017 financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Financial Statement Presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable. The Church had no permanently restricted or temporarily restricted net assets as of December 31, 2018.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

Revenue Recognition: All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in

Lighthouse Covenant Church
Notes to Financial Statements

the fiscal year in which the contributions are recognized. Tithes and offerings are recognized as revenue when received.

Donated Services: In 2018, no donated services were recorded. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet recognition criteria.

Property and Equipment: Donated assets are recorded at their fair value on the date of the gift, and other assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life while amortization of leasehold improvements is amortized straight-line over the lease term. The Church capitalizes all property and equipment with a cost of \$5,000 or more.

Income Taxes: The Church is generally exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Church has been determined by the Internal Revenue Service not to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. During the year ended December 31, 2018, the Church had no taxable unrelated business income, and accordingly, no provision for income taxes is required in the accompanying financial statements.

3. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Salaries and benefits of program employees have been directly charged to the related program.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at December 31, 2018, are as follows:

Leasehold Improvements	\$	1,798,100
Equipment		228,569
Furniture and Fixtures		22,721
		2,049,390
Accumulated Depreciation/Amortization		(339,013)
Property and Equipment - Net	\$	1,710,377

Depreciation and amortization expense totaled \$217,444 for the year ended December 31, 2018.

Lighthouse Covenant Church
Notes to Financial Statements

5. LONG-TERM DEBT

On September 14, 2016, the Church obtained a \$600,000 loan from a bank secured by a lien on the assets of the Church. The loan bears interest at 4.85% per annum with monthly payments of \$9,004 which will fully amortize the loan by the maturity date of September 14, 2023. During 2018, the Church paid off the loan and as of December 31, 2018 the principal balance was \$0.

6. LEASES

The Church leases office and worship space pursuant to a long-term operating lease agreement expiring on November 30, 2026. The agreement includes provisions for the payment of utilities, insurance, taxes and maintenance costs in addition to the rent. Additionally, the Church must pay to the landlord its proportional share of operating costs which equals 4% of the base rent annual.

The Church also rents worship space from Anne Arundel county public schools that is renewable on an annual basis and rents parking space on a month to month lease from Sage Platt. Total rent expense under these operating lease agreements was \$513,164 for the year ended December 31, 2018.

Future minimum lease payments required under the longer-term operating leases during the next five years ending December 31, 2023 are as follows:

December 31, 2019	373,500
2020	383,892
2021	394,961
2022	406,091
2023	412,082