Lighthouse Mission Ministries

Financial Statements with
Independent Auditor's Report

Year Ended June 30, 2021
(With Summarized Comparative Totals for the
Year Ended June 30, 2020)

Larson Gross

Lighthouse Mission Ministries

Contents

Independent Auditor's Report

To the Board of Directors
Lighthouse Mission Ministries
Bellingham, Washington

Report on the Financial Statements
We have audited the accompanying financial statements of Lighthouse Mission Ministries (the Organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 qualified audit opinion.

800 447 0177 ▸ larsongross.com
Connected Invested Integrity Personal Initiative Successful

Basis for Qualified Opinion

Due to the Organization's policy to not recognize in-kind contributions under $1,000 (as described in Note 1), as well as the inadequacy of support maintained for the valuation assigned to in-kind contributions recognized, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which in-kind contributions is recorded in the accompanying statement of activities at June 30, 2021 (stated at $625,148). The effects on the accompanying financial statements of the failure to both record all in-kind contributions and maintain support for those in-kind contributions recognized have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lighthouse Mission Ministries as of June 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lighthouse Mission Ministries' June 30, 2020, financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated January 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Larson Gross PLLC

Bellingham, Washington
February 3, 2022

Lighthouse Mission Ministries

Statement of Financial Position

June 30, 2021

(With Summarized Comparative Totals for June 30, 2020)

	2021	2020
Assets		
Cash	$ 1,968,868	$ 1,346,473
Pledges receivable, net	1,339,514	5,000
Due from related party	450,000	450,000
Inventory	32,910	110,513
Other assets	197,961	174,807
Investments	2,946,470	-
Rent receivable, net	284,398	426,597
Property and equipment, net	2,958,982	3,070,420
Total assets	$ 10,179,103	$ 5,583,810
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 337,261	$ 232,473
Note payable – related party	524,850	563,676
Note payable – Paycheck Protection Program	-	326,000
Total liabilities	862,111	1,122,149
Net assets		
Without donor restrictions		
Undesignated	1,702,102	1,010,626
Net investment of property and equipment	2,434,132	2,506,744
Board designated	27,594	-
Total without donor restrictions	4,163,828	3,517,370
With donor restrictions	5,153,164	944,291
Total net assets	9,316,992	4,461,661
Total liabilities and net assets	$ 10,179,103	$ 5,583,810

Lighthouse Mission Ministries

Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Totals for Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
Public support and revenue				
Contributions	$ 4,353,223	$ 4,355,583	$ 8,708,806	$ 3,452,577
In-kind donations	625,148	-	625,148	1,199,571
Other income	452,173	7,999	460,172	120,192
Net assets released from restriction	154,709	(154,709)	-	-
Total public support and revenue	5,585,253	4,208,873	9,794,126	4,772,340
Expenses				
Program services	3,558,604	-	3,558,604	2,809,533
Supporting services				
Management and general	913,717	-	913,717	491,570
Fundraising	466,474	-	466,474	617,177
Total expenses	4,938,795	-	4,938,795	3,918,280
Increase in net assets	646,458	4,208,873	4,855,331	854,060
Net assets – beginning of year	3,517,370	944,291	4,461,661	3,607,601
Net assets – end of year	$ 4,163,828	$ 5,153,164	$ 9,316,992	$ 4,461,661

Lighthouse Mission Ministries

Statement of Functional Expenses

Year Ended June 30, 2021

(With Summarized Comparative Totals for Year Ended June 30, 2020)

	Program Services	Management and General	Fundraising	Totals 2021		Totals 2020
Salaries	$ 1,562,035	$ 323,966	$ 193,010	$ 2,079,011		$ 1,638,821
Benefits	254,998	63,536	37,853	356,387		312,898
Payroll taxes	152,120	31,549	18,796	202,465		139,461
Total salaries, benefits, and payroll taxes	1,969,153	419,051	249,659	2,637,863		2,091,180
Occupancy	440,464	19,751	-	460,215	***	484,102
Assistance	503,627	-	-	503,627	**	297,674
Publicity and promotion	-	109,094	151,587	260,681		256,214
Professional fees	45,427	214,551	-	259,978	****	93,962
Food	219,414	-	-	219,414	*	181,314
Other	67,392	91,329	6,286	165,007		119,284
Insurance	67,570	1,733	-	69,303		42,455
Repairs and maintenance	54,060	11,938	-	65,998		48,952
Supplies	37,142	20,116	4,842	62,100		84,582
Postage	-	654	54,100	54,754		35,462
Transportation	2,095	14,170	-	16,265		15,635
Interest	15,174	-	-	15,174		19,287
Staff development	-	11,330	-	11,330		16,776
Total expenses before depreciation and amortization	3,421,518	913,717	466,474	4,801,709		3,786,879
Depreciation and amortization	137,086	-	-	137,086		131,401
Total expenses	$ 3,558,604	$ 913,717	$ 466,474	$ 4,938,795		$ 3,918,280

* Includes $219,414 of in-kind donations

** Includes $455,597 of in-kind donations

*** Includes $200,990 of in-kind rent

**** Includes $37,394 of in-kind services

The accompanying notes are an integral part of these financial statements.

Lighthouse Mission Ministries

Statement of Cash Flows

Year Ended June 30, 2021

(With Summarized Comparative Totals for Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Increase in net assets	$ 4,855,331	$ 854,060
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in rent receivable, net of discount	142,199	(426,597)
Depreciation and amortization	137,086	131,401
Forgiveness of Paycheck Protection Program loan	(326,000)	-
Loss on disposal of property and equipment	233	489
Realized and unrealized gain on investments	(20,472)	-
Decrease in amount due from related party	-	50,000
Contributions restricted for capital projects	(4,440,827)	-
Noncash contributions of food, assistance and rent	(625,148)	(1,199,571)
Noncash food, assistance and rent expenditures	702,751	1,192,615
(Increase) decrease in pledges receivable	17,082	(5,000)
Increase in other assets	(23,154)	(135,488)
Increase in accounts payable and accrued expenses	104,788	84,493
Net cash provided by operating activities	523,869	546,402
Cash flows from investing activities		
Purchases of property and equipment, net of proceeds from sales	(25,881)	(56,863)
Proceeds from the sale of investments	735,061	-
Purchases of investments	(3,661,059)	-
Net cash used by investing activities	(2,951,879)	(56,863)
Cash flows from financing activities		
Proceeds from contributions restricted for capital projects	3,089,231	-
Proceeds from note payable - Paycheck Protection Program	-	326,000
Principal payments on note payable	(38,826)	(34,713)
Cash provided by financing activities	3,050,405	291,287
Net increase in cash	622,395	780,826
Cash – beginning of year	1,346,473	565,647
Cash – end of year	$ 1,968,868	$ 1,346,473
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest on note payable	$ 15,174	$ 19,287

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Lighthouse Mission Ministries (the Organization) is a Washington State nonprofit corporation established in 1923 as a religious and charitable organization to conduct rescue mission work. The Organization's programs are comprised of serving the spiritual and human needs of homeless persons in the local community. It operates a four-building campus that includes nine different overnight shelters, a drop-in center, an eye clinic, and a childcare center at its Holly Street location in Bellingham, Washington.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.
>
> *Net assets with donor restrictions* – Support received subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time are classified as net assets with donor restrictions. This includes donor-imposed restrictions stipulating that assets be invested in perpetuity. In accordance with purposes stipulated by donors, earnings from such assets may be classified as net assets without donor restrictions or net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as without donor restrictions.

Cash – The Organization maintains its cash in a bank account that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in this account, and management does not believe it is exposed to any significant credit risk. Cash that is part of the long-term investment are shown with investments as those resources are not used for daily operating needs.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Pledges receivable – Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable pledges based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectable.

Based on the above factors, management considers all pledges to be fully collectible and therefore has not made any allowance for uncollectible pledges. One donor represents 37% and 100% of the pledges balance at June 30, 2021 and 2020, respectively.

Inventory – Inventory is recorded at the lower of cost or market. If received through donation, inventory is recorded as the lower of fair value at date of donation or market. Inventory is recorded using first in, first out method. Inventory represents food and supplies on hand as of year-end.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of $2,500. Property and equipment acquisitions are recorded at cost. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which range from 3 to 40 years.

Contributions – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Two donors represent 23% of total contributions for the year ended June 30, 2021. There were no donor concentrations for the year ended June 30, 2020.

Donated goods, services, and rent – Donations in excess of $1,000 of supplies, equipment, and other goods, services, and rent are recorded at fair value on the date of receipt. Individual donations of less than $1,000, which generally consist of food and other consumable supplies, are not recognized by the Organization. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. Two and three donors represent 60% and 55% of total in-kind contributions for the years ended June 30, 2021 and 2020, respectively.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense totaled $259,014 and $131,286 for the years ended June 30, 2021 and 2020, respectively, and is included in publicity and promotion in the accompanying statement of functional expenses.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Federal income tax – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Under this section, the Organization is not required to file a federal income tax return as it operates as a Church. As of June 30, 2021, the Organization had no uncertain tax positions requiring accrual. The Organization is exempt from filing United States federal income tax returns under Section 6033(a)(3)(A)(i).

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied.

The method of allocation applied to expenses is as follows:

Time and effort: Salaries, benefits, and payroll taxes
Estimates of usage: Occupancy and insurance
Direct allocation: Publicity and promotion, supplies, professional fees, repairs and maintenance, transportation, postage, and other

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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. Significant estimates include depreciable lives of property and equipment, gift in-kind donation valuation, discount on long-term rent receivable and allocation of expenses between program and supporting services.

Comparative financial information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassification – Certain classifications have been made to the prior year's financial statements to conform to the current year's financial statement presentation.

Subsequent events – In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 3, 2022. The date that the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following represents the Organization's financial assets available for general expenditure during the next year as of June 30:

	2021	2020
Cash	$ 1,968,868	$ 1,346,473
Due from related party	450,000	450,000
Less amounts not available for general expenditure		
Board-Designated	(27,594)	-
Donor-restricted for Scholarships	(5,350)	(5,350)
Donor-restricted for Drop-in Center	(482,647)	(484,580)
	$ 1,903,277	$ 1,306,543

The Organization has certain board designated net assets limited in use, which are intended for use on capital projects. Board-designated amount could be made available for general expenses, if necessary. The Organization has certain donor-restricted assets limited to use which are not available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been excluded in the qualitative information above.

The goal of the Organization is to maintain four months of cash to cover operating expenses. Cash amounts exceeding the four-month goal may be invested in short term investments. As of June 30, 2021, the Organization has a working capital of $3,232,462 and average days (based on normal expenditures) cash on hand of 150.

Note 3 – Pledges Receivable

During the year ended June 30, 2021, the Organization commenced a campaign to raise funds for a new campus in Bellingham, Washington. The campus will expand capacity and provide additional program offerings.

Pledges receivable consist of the following at June 30, 2021

Receivable in less than one year	$ 811,973
Receivable in one to five years	539,623
Total pledges receivable, gross	1,351,596
Less discount to net present value at rates ranging from 1.6% to 3.55%	(12,082)
	$ 1,339,514

Note 4 – Rent Receivable

The Organization entered into a 3-year lease with the City of Bellingham in June 2020, with an option to extend in the 4th year, for property to house the Organization's Drop-in Center program. The Drop-in Center program is used to stabilize incoming guests, introduce them to a lifesaving relationship with Jesus Christ, offer homeless assessment, and provide a motivational environment that encourages life-change. The Organization is not required to make any rent payments under the terms of this lease for the first 3 years. As such, the Organization has recognized non-cash contribution revenue, rent expense, and rent receivable based on the estimated fair value of the benefit to be received by the Organization over the term of the lease.

The rent receivable related to this lease is expected to be collected through use of the property as follows at June 30:

	2021	2020
Within one year	$ 150,636	$ 150,636
In one to three years	150,636	301,272
Total rent receivable	301,272	451,908
Less: Unamortized discount to fair value (at 4%)	(16,874)	(25,311)
Total rent receivable, net	$ 284,398	$ 426,597

Note 5 – Property and Equipment

Property and equipment consist of the following as of June 30:

	2021	2020
Property and equipment, not being depreciated or amortized		
Land	$ 512,056	$ 512,056
Property and equipment, being depreciated and amortized		
Buildings and improvements	3,996,456	4,019,949
Furnitures and fixtures	149,512	136,509
Machinery and equipment	122,252	116,319
Vehicles	105,289	105,289
Land improvements	13,348	13,348
Intangibles – website development	12,100	12,100
Property and equipment at cost	4,911,013	4,915,570
Less accumulated depreciation and amortization	(1,952,031)	(1,845,150)
Property and equipment, net	$ 2,958,982	$ 3,070,420

Total depreciation and amortization expense for the years ended June 30, 2021 and 2020, totaled $137,086 and $131,401, respectively.

Note 6 – Investments and Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equity and money market funds:

Valued at the daily closing price as reported by the fund. Equity funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The equity funds held by the Organization are deemed to be actively traded.

Fixed Income:

Valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation methodologies used at June 30, 2021.

Note 6 – Investments and Fair Value Measurements – (Continued)

Investments at fair value consisted of the following as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments fair value hierarchy				
Money market funds	$ 728,991	$ -	$ -	$ 728,991
Fixed Income				
Municipal bonds	948,965	-	-	948,965
Exchange traded funds	796,799	-	-	796,799
Equity funds				
Mutual funds	56,829	-	-	56,829
Stocks	272,327	-	-	272,327
Exchange traded funds	142,559	-	-	142,559
Total	$ 2,946,470	$ -	$ -	$ 2,946,470

There was no investment balance for the year ended June 30, 2020.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market date is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another.

The Organization evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2021 and **2020**, there were no significant transfers in or out of Level 3.

Note 7 – Note Payable – Related Party

Notes payable to a related party consist of the following at June 30:

	2021	2020
Loan payable to Lighthouse Mission Ministries Foundation due in installments of $4,500 per month. A portion is financed at a fixed five year rate of 3.69%, another portion is financed at a fixed seven year rate of 3.82% and the remainder is at a variable rate, which was 3.63% as of June 30, 2021. The loan is unsecured and remaining unpaid balance is due in September 2024.	$ 524,850	$ 563,676
Less current portion	(37,000)	(35,900)
Note payable, net of current portion	$ 487,850	$ 527,776

Note 7 – Note Payable – Related Party – (Continued)

Scheduled future principal payments on the note payable are as follows for the fiscal years ended June 30:

2022	$ 37,000
2023	38,000
2024	40,000
2025	409,850
	$ 524,850

Note 8 – Operating Leases

On September 1, 2019, the Organization entered into a month-to-month lease for the use of facilities in Bellingham, Washington with a monthly payment of $700. The Organization recognized $8,400 and $7,000 in rent expense for the years ended June 30, 2021 and 2020, respectively.

On March 20, 2020, the Organization entered into a short-term lease for the use of a facility as an emergency shelter. The lease terminated on July 17, 2020 and was provided at no cost to the Organization. The Organization also has a 3-year in-kind lease with the City of Bellingham, further described in Note 4. The Organization recognized in-kind rent expense totaling $200,990 and $328,990 for the years ended June 30, 2021 and 2020, respectively.

Subsequent to year-end, on December 7, 2021, the Organization entered into a 26-month lease commencing on February 1, 2022, for the use of kitchen space in Bellingham, Washington with a monthly payment of $1. The Organization will recognize an in-kind contribution during the year ended June 30, 2022 based on the estimated fair value of benefits to be received over the term of the lease.

Note 9 – Note Payable – Paycheck Protection Program

In April 2020, the Organization received a $326,000 loan from the Federal Paycheck Protection Program. This loan accrued interest at 1% and is guaranteed by the Small Business Administration. This loan was fully forgiven on December 16, 2020, and is included in contributions in the accompanying statement of activities.

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Campus Building Fund	$ 4,355,582	$ -
Drop-in Center	482,647	484,580
Time restricted – rent recievable	275,961	426,597
Interest in other assets held by a community foundation	33,624	27,764
Scholarship	5,350	5,350
	$ 5,153,164	$ 944,291

Note 11 – Tax-Sheltered Annuity Plan

The Organization maintains a qualified tax-sheltered annuity plan (the Plan) under 403(b) of the IRS Code available to all full-time employees. The Plan is non-discriminatory and the Organization contributes three percent of salary annually. The Organization also matches up to two percent of each employee's tax deferred compensation withheld under the Plan. The amounts withheld from compensation and the Organization's contribution vest immediately with the employee. The amount of contributions made by the Organization totaled $43,517 and $34,915 for the years ended June 30, 2021 and 2020, respectively.

Note 12 – Program Expenses

The total program expenses presented on the statement of functional expenses may be further broken out by program as follows at June 30:

	2021	2020
Basecamp	$ 1,696,143	$ 963,312
Ascent Program	809,990	1,031,954
Agape Home	609,924	401,748
COVID-19 pandemic support	337,540	-
Street Connect	105,007	209,505
Other	-	158,507
New Life Program	-	43,857
Scholarships	-	650
	$ 3,558,604	$ 2,809,533

Note 13 – Related Party Transactions

Lighthouse Mission Ministries Foundation (the Foundation) is a related party, which exists to support the Organization. While the Organization has an economic interest in the Foundation, the Organization lacks the prerequisite level of control over the Foundation to require consolidation. Thus, the Foundation's financial statements are not consolidated within the Organization's financial statements at either June 30, 2021 or 2020. In September 2017, the Organization recorded a liability to the Foundation for a loan that was used to pay off the Organization's mortgage balance with Heritage Bank. The Organization pays $4,500 per month to the Foundation. The balance of the loan was $524,850 and $563,676 at June 30, 2021 and 2020, respectively.

The Organization received contributions of $0 and $50,000 from the Foundation during the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2019, the Organization was named as beneficiary of contributions totaling $500,000, but which the Foundation received and held in its money market account. The remaining funds held by the Foundation are presented as due from related party on the statement of financial position at June 30, 2021.

The Organization received contributions of $542,248 and $28,105 from board members during the years ended June 30, 2021 and 2020, respectively. The Organization had outstanding pledge receivables totaling $254,864 from board members at June 30, 2021. No pledges receivables were outstanding from board members at June 30, 2020.

Note 14 – Risks and Uncertainties

The Organization is subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on the Organization's business is uncertain and difficult to predict. The Organization's operational and financial performance will depend on future developments, including the duration of the outbreak, operational limitations imposed by federal, state and local governments with respect to physical distancing measures, and demand for the organization's services. All the effects of the COVID-19 pandemic could have a significant adverse effect on the Organization's operations. Although the ultimate severity of the COVID-19 pandemic is uncertain at this time, the Organization has implemented several new initiatives to adapt operations to the current environment.

Note 15 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases,* which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2021. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.