

LIGHTHOUSE PROMISE, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

LIGHTHOUSE PROMISE, INC.
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities.....	3 - 4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lighthouse Promise, Inc.
Louisville, Kentucky

We have reviewed the accompanying financial statements of Lighthouse Promise, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Lighthouse Promise, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Welenken CPAs

Welenken CPAs

Louisville, Kentucky
May 10, 2023

LIGHTHOUSE PROMISE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Cash	\$ 336,300
Unconditional promises to give with donor restrictions	20,000
Cash restricted for program expenses	3,350
Investments	853,305
Capital assets, net of depreciation	<u>1,077,649</u>

TOTAL ASSETS

\$ 2,290,604

LIABILITIES

Accounts payable	\$ 2,531
Accrued expenses	<u>11,348</u>

TOTAL LIABILITIES

13,879

NET ASSETS

Without donor restrictions	2,253,375
With donor restrictions	<u>23,350</u>

TOTAL NET ASSETS

2,276,725

TOTAL LIABILITIES AND NET ASSETS

\$ 2,290,604

See accompanying Notes to Financial Statements.

LIGHTHOUSE PROMISE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants and contributions of cash and other financial assets	\$ 394,357	\$ 23,350	\$ 417,707
Contributions of nonfinancial assets	76,000	-	76,000
Rental income	3,900	-	3,900
Interest and dividend income	19,348	-	19,348
Investment losses	(123,615)	-	(123,615)
Miscellaneous	4,880	-	4,880
Net assets released from restrictions -			
Expiration of time restrictions	49,917	(49,917)	-
	<u>424,787</u>	<u>(26,567)</u>	<u>398,220</u>
Total Revenues and Other Support			
EXPENSES			
Program expenses			
School-age enrichment program costs	15,194	-	15,194
Donated program goods and services	55,000	-	55,000
Payroll	166,574	-	166,574
Payroll taxes	8,834	-	8,834
Grant expense	33,346	-	33,346
Depreciation	47,417	-	47,417
Repairs and maintenance	9,647	-	9,647
Utilities	24,817	-	24,817
Supplies	2,474	-	2,474
Insurance	15,955	-	15,955
Miscellaneous	3,948	-	3,948
	<u>383,206</u>	<u>-</u>	<u>383,206</u>
Total program expenses			
Supporting services			
Payroll	8,626	-	8,626
Payroll taxes	981	-	981
Grant expense	3,705	-	3,705
Professional fees	11,263	-	11,263
Donated professional services	21,000	-	21,000
Depreciation	5,269	-	5,269
Repairs and maintenance	1,387	-	1,387
Insurance	1,773	-	1,773
Utilities	6,954	-	6,954
Supplies	3,613	-	3,613

LIGHTHOUSE PROMISE, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting services (continued)			
Security	\$ 753	\$ -	\$ 753
Miscellaneous	2,564	-	2,564
	<u>67,888</u>	<u>-</u>	<u>67,888</u>
Total supporting services			
Fundraising expenses	<u>7,083</u>	<u>-</u>	<u>7,083</u>
Total Expenses	<u>458,177</u>	<u>-</u>	<u>458,177</u>
CHANGE IN NET ASSETS	(33,390)	(26,567)	(59,957)
NET ASSETS, BEGINNING OF YEAR	<u>2,286,765</u>	<u>49,917</u>	<u>2,336,682</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,253,375</u></u>	<u><u>\$ 23,350</u></u>	<u><u>\$ 2,276,725</u></u>

See accompanying Notes to Financial Statements.

**LIGHTHOUSE PROMISE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (59,957)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	52,686
Unrealized loss on investments	86,327
Changes in assets and liabilities:	
Unconditional promises to give with donor restrictions	18,578
Accounts payable	(61)
Accrued expenses	<u>(507)</u>
Net cash provided by operating activities	<u>97,066</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of capital assets	(13,542)
Purchase of investments	(414,264)
Sale of investments	<u>387,879</u>
Net cash used in investing activities	<u>(39,927)</u>
 NET CHANGE IN CASH AND RESTRICTED CASH	 57,139
 CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	 <u>282,511</u>
 CASH AND RESTRICTED CASH AT END OF YEAR	 <u><u>\$ 339,650</u></u>

See accompanying Notes to Financial Statements.

**LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

Lighthouse Promise, Inc. (“Organization”) is a not-for-profit organization that provides after-school and summer care, youth mentoring, and GED programs for at risk children in the Newburg neighborhood of Louisville, Kentucky through its support of Lighthouse Community Center, Lighthouse Academy at Newburg, and Lighthouse Athletic Center. The Organization relies on financial support through grants and individual contributions to continue its mission of improving the lives and futures of at risk children.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets as released from restrictions.

Cash Restricted

Cash restricted for program expenses has been restricted by donors and is not available for operating purposes.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, payroll taxes, and grant expense, which are allocated on the basis of estimates of time and effort. Depreciation, repairs and maintenance, utilities, insurance and supplies are allocated on an approximate square footage basis. Various miscellaneous expenses are allocated based on percentage of usage.

Accrued Expenses and Accounts Payable

All accrued expenses and accounts payable are due within one year of the statement of financial position date.

LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Capital Assets and Depreciation

Capital assets are recorded at acquisition cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Asset</u>	<u>Life</u>
Building	40 years
Building and land improvements	10 years
Garage	20 years
Equipment and other	5 years

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Purchased property and equipment is capitalized at cost. The Organization has not received any donated property or equipment.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide tutoring and other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Subsequent Events

The Organization has evaluated subsequent events through May 10, 2023, the date the financial statements were available to be issued.

LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – CASH AND RESTRICTED CASH

The following provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31, 2022.

Cash	\$ 336,300
Cash restricted for program expenses	<u>3,350</u>
Total cash and restricted cash	<u>\$ 339,650</u>

NOTE C – INVESTMENTS

At December 31, 2022, the Organization carries investments with readily determinable fair values in the Statement of Financial Position. The investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash equivalents	\$ 20,695	\$ 20,695
Equity funds	529,641	461,878
Bond funds	311,762	289,426
Alternative funds	<u>78,794</u>	<u>81,306</u>
	<u>\$ 940,892</u>	<u>\$ 853,305</u>

At December 31, 2022, there are no donor restricted investments.

NOTE D – FAIR VALUE MEASUREMENT

Generally accepted accounting principles define fair value, establish a frame work for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

**LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE D – FAIR VALUE MEASUREMENT (Continued)

Investments	(Level 1)	(Level 2)	(Level 3)
Cash equivalents	\$ -	\$ 20,695	\$ -
Equity funds	196,613	265,265	-
Bond funds	289,426		
Alternative fund	-	81,306	-
	<u>\$ 486,039</u>	<u>\$ 367,266</u>	<u>\$ -</u>

NOTE E – CAPITAL ASSETS

Capital assets at December 31, 2022, consist of the following:

Building and land including improvements	\$1,449,083
Garage	57,380
Equipment	194,217
Awning	23,100
Telephone/sound equipment	11,657
Furniture	4,049
Signs	6,652
	1,746,138
Less: accumulated depreciation	668,489
Total	<u>\$1,077,649</u>

NOTE F – PROMISES TO GIVE

Unconditional promises to give at December 31, 2022, consist of the following:

With donor restrictions:	
Louisville/Jefferson County Metro Government	\$ 15,000
William E Barth Foundation	3,000
LG&E and KU Foundation	2,000
Total	<u>\$ 20,000</u>

All promises to give are expected to be recognized within one year.

NOTE G – RESTRICTIONS/LIMITATIONS ON NET ASSETS

At December 31, 2022, the board of directors of the Organization has designated net assets without donor restrictions for programs and capital expenditures in the amount of \$121,117.

At December 31, 2022, the Organization's net assets with donor restrictions are subject to the following purpose or time restrictions.

Grants required to be used for program expenses	\$ 3,350
Grants for periods after December 31, 2022	20,000
Total net assets with donor restrictions	<u>\$ 23,350</u>

LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date. Board designated cash has been earmarked for scholarships, other program expenses, and capital expenditures and are not available for general expenditures.

Financial assets at year end	\$ 1,212,955
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for certain program expenses	3,350
Board designated for programs and capital expenditures	<u>121,117</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,088,488</u>

The Organization relies on general contributions received during the year to help offset the cost of general expenditures.

NOTE I - PROGRAM COSTS

School-age enrichment program costs for the year are as follows:

Field trips and travel	\$ 3,609
Supplies and equipment	2,048
Scholarships	3,000
Safety fair	1,949
Food	376
Computer expense	116
Miscellaneous	<u>4,096</u>
Total	\$ <u>15,194</u>

NOTE J – CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits at a financial institution, which at times, may exceed federally insured limits. The Organization has not experienced losses in such accounts. Management believes the Organization is not exposed to significant risk related to cash.

NOTE K – CONTRIBUTED NONFINANCIAL ASSETS

The estimated value of contributed nonfinancial assets included as revenues in the financial statements and the corresponding expense categories for the year ended December 31, 2022 are as follows:

Professional services	\$ 21,000
Food	25,000
Repairs and maintenance services	<u>30,000</u>
Total	\$ <u>76,000</u>

LIGHTHOUSE PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The organization recognized contributed nonfinancial assets within revenue, including contributed food and services. Contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized include professional services of an accountant, a CPA, and an attorney. The volunteer accountant provided bookkeeping services. The volunteer CPA prepares Form 990 annually and provides consulting services. The attorney provided legal advise. Contributed professional services are valued and reported at the estimated fair value in the financial statements based on current rates for similar professional services.

Contributed food was used to provide free meals to students each day of school and during summer program. The Donors provided the fair value based on estimates of the wholesale value that would be receiving for selling similar products in the United States.

Contributed repairs and maintenance services include landscaping, mowing of grounds, general maintenance, and repairs. The volunteers provided these services each week at no cost. Contributed repairs and maintenance services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

NOTE L – RENTAL INCOME

The Organization rents part of its building to a church for \$75 per week. Currently, there is no expiration date for the lease. Rental income for this activity for the year was \$3,900.

NOTE M – FUNDRAISING EXPENSES

Fundraising expenses for the year are as follows:

Payroll	\$ 4,884
Supplies	939
Software	381
Website maintenance	152
Miscellaneous	<u>727</u>
Total	<u>\$ 7,083</u>