Lifehouse, Inc.

Independent Accountants' Review Report

And Financial Statements

For the Year Ended

December 31, 2018

Contents

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Independent Accountants' Review Report

Board of Directors
Lifehouse, Inc.

We have reviewed the accompanying financial statements of Lifehouse, Inc. (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2018 and the related statements of activities, functional expenses, 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 the organization's 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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.

Accountants' 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.

Baldwin CPAs, PLLC

Louisville, Kentucky
July 1, 2019

Lifehouse, Inc.
Statement of Financial Position
December 31, 2018

Assets		
Cash	$	398,165
Miscellaneous receivables		941
Prepaid expenses		144
Investments		1,390
Life insurance policy		7,607
Land, building and equipment, net		644,395
Total Assets	$	1,052,642
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	206
Accrued expenses and withholdings		7,429
Total Liabilities		7,635
Net Assets		
Without donor restrictions		1,036,400
With donor restrictions		8,607
Total Net Assets		1,045,007
Total Liabilities and Net Assets	$	1,052,642

Lifehouse, Inc.
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions and grants	$ 344,206	$ 8,607	$ 352,813
Investment income	1,778	-	1,778
Special event income	101,157	-	101,157
Special event expense	(76,476)	-	(76,476)
Miscellaneous income	812	-	812
Total Revenue and Support	371,477	8,607	380,084
Expenses:			
Program services	319,340	-	319,340
Management and general	62,517	-	62,517
Fund raising	93,353	-	93,353
Total Expenses	475,210	-	475,210
Change in Net Assets	(103,733)	8,607	(95,126)
Net Assets at Beginning of Year	1,140,133	-	1,140,133
Net Assets at End of year	$ 1,036,400	$ 8,607	$ 1,045,007

See accompanying notes and independent accountants' review report.

Lifehouse, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program	Management & General	Fund Raising	Total
Salaries and wages	$ 224,324	$ 42,799	$ 73,466	$ 340,589
Payroll taxes	20,884	3,984	6,840	31,708
Benefits	4,595	877	1,505	6,977
Professional fees	5,295	1,195	-	6,490
Office expenses	6,158	1,175	2,017	9,350
Supplies	1,952	-	-	1,952
Printing and postage	4,553	869	1,491	6,913
Telephone	1,717	328	562	2,607
Insurance	10,522	935	234	11,691
Utilities	9,556	850	212	10,618
Repairs and maintenance	2,620	413	-	3,033
Conferences, travel, and dues	7,111	1,357	2,328	10,796
Bank fees	-	3,673	-	3,673
Taxes and licenses	-	1,063	-	1,063
Marketing	-	-	4,698	4,698
Miscellaneous	-	1,095	-	1,095
Depreciation	20,053	1,904	-	21,957
Special event direct expenses	-	-	76,476	76,476
Total expenses by function	319,340	62,517	169,829	551,686
Less special event direct expenses	-	-	(76,476)	(76,476)
Total expenses on statement of activities	$ 319,340	$ 62,517	$ 93,353	$ 475,210
% of total expenses	67.20%	13.16%	19.64%	100.00%

Lifehouse, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities:	
Change in net assets	$ (95,126)
Adjustments to reconcile change in net assets	
to net cash provided (used) in operating activities:	
Depreciation	21,957
Unrealized (gain) loss on investments	(189)
Donation of life insurance policy	(7,607)
Donation of investments	(1,189)
(Increase) decrease in operating assets:	
Miscellaneous receivables	(941)
Prepaid expenses	23,663
Increase (decrease) in operating liabilities:	
Accounts payable	(1,121)
Accrued expenses and withholdings	5,044
Net Cash Used by Operating Activities	(55,509)
Cash Flows from Investing Activities:	
Purchase of investments	(12)
Net Cash Used by Investing Activities	(12)
Net Decrease in Cash	(55,521)
Cash at Beginning of Year	453,686
Cash at End of Year	$ 398,165
Supplemental Information:	
Donation of life insurance policy	$ 7,607
Donation of investments	$ 1,189

Note 1 - Summary of Significant Accounting Policies

Organization

Lifehouse, Inc. (Lifehouse) is a not-for-profit organization formed for the purpose of helping women through difficult maternity processes including unwanted pregnancies, partner abuse, or financial issues. Their holistic approach helps satisfy mothers' physical and financial needs as well as their mental and spiritual needs.

A significant portion of the Lifehouse's funding is received from donations from businesses, foundations and individuals.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the organization is required to report information regarding its financial position and activities according to two classes of net assets. A description of the net asset categories follows:

> Net assets without donor restrictions: expendable funds that are not subject to donor-imposed stipulations or invested in land, building and equipment.

> Net assets with donor restrictions: stipulated by donors for specific operating purposes or are restricted by time.

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.

Cash Policy

Lifehouse considers all cash in deposit accounts as cash for financial statement purposes.

Miscellaneous Receivables

Miscellaneous receivables consist of payroll tax refunds that are expected to be collected within the following year. There is no allowance for uncollectible accounts at December 31, 2018.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

The ASC establishes a framework for measuring fair value and expands disclosures required for fair value measurements. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. These levels, in order of lowest to highest priority, are described as follows:

> Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
>
> Level 2 – Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the organization’s own assumptions.

The methods described above 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.

Land, Building and Equipment

Lifehouse capitalizes all expenditures for property and equipment in excess of $750. Purchased property and equipment are carried at cost. Donated property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

Contributions

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

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

In-kind Materials, Equipment, and Services

Contributions of tangible assets are recognized at their fair market value at date of donation. The amounts are reflected in the accompanying financial statements as an increase the net assets without donor restrictions and are offset by like amounts included in expenses.

Lifehouse receives services from volunteers who give their time to the Lifehouse's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, most costs have been allocated among the program and supporting services benefited on the basis of estimates of time and effort. Utility costs and depreciation are allocated on a square footage basis.

Income Tax Status

Lifehouse is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Lifehouse qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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.

Recently Issued Accounting Standards

For the year ended December 31, 2018, Lifehouse adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-profits (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in formation about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-forprofit entities. A new disclosure was added to provide clarity about the liquidity and availability of resources for the upcoming fiscal year (see Note 6). The changes required by the update have been applied retrospectively to all periods presented. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Note 2 - Concentration of Credit Risk

Cash – Lifehouse cash balances are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceed amounts federally insured. The amount of cash in excess of federally insured limits at December 31, 2018 was $148,944, respectively. The risk is managed by maintaining all deposits in a high-quality financial institution.

Investments – Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets.

Note 3 - Investments

Investments consist of cash and stocks that are stated at fair value based on quoted prices in active markets (all level 1 measurements) and are summarized as follows:

	Cost Basis	Fair Value	Unrealized Gains (Losses)
Cash	$ 11	$ 11	$ -
Common stocks	1,190	1,379	189
	$ 1,201	$ 1,390	$ 189

Note 4 - Land, Building and Equipment

At December 31, 2018, the cost and accumulated depreciation of land, building and equipment were as follows:

Land and buildings	$ 779,185
Furniture	10,783
Equipment	9,243
Less: accumulated depreciation	(154,816)
Land, building and equipment, net	$ 644,395
Depreciation expense	$ 21,957

Note 5 - Net Assets with Donor Restrictions

Lifehouse is the beneficiary of a donor's life insurance policy. The policy had a cash surrender value of $7,607 as of December 31, 2018.

Note 6 - Liquidity and Availability

The following table reflects Lifehouse's financial assets as of December 31, 2018 available for general expenditure within one year.

Cash	$ 398,165
Accounts receivable	941
Investments	1,390
	$ 400,496

In addition to financial assets available to meet general expenditures over the year, Lifehouse operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient revenues from current and prior years' gifts.

Note 7 - Recently Issued Accounting Standards Update

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year. The updated standard will be effective for the year ending December 31, 2019. Lifehouse has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU will be effective for Lifehouse for the year ending December 31, 2019. Lifehouse is currently evaluating the effect that the new standard will have on its financial statements.

Note 8 - Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through July 1, 2019, which was the date at which the financial statements were available to be issued. The donor of a life insurance policy passed away in 2019 and Lifehouse will receive a payout from the policy of approximately $15,000.