

# **Lighthouse Youth Services, Inc. and Affiliates**

Combined Financial Statements

June 30, 2016 and 2015

(with Independent Auditors' Report)

## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
Combined Financial Statements:	
Combined Statements of Financial Position .....	3-4
Combined Statements of Activities .....	5-6
Combined Statements of Functional Expenses .....	7-8
Combined Statements of Cash Flows .....	9-10
Notes to the Combined Financial Statements.....	11-22

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Lighthouse Youth Services, Inc. and Affiliates:

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Lighthouse Youth Services, Inc. and Affiliates (a not-for-profit organization), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Youth Services, Inc. and Affiliates as of June 30, 2016 and 2015, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of Lighthouse Youth Services, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Youth Services, Inc. and Affiliates' internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
October 31, 2016

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
June 30, 2016

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 2,769,578	445,997	2,331,693		5,547,268
Accounts receivable	3,733,740	11,681		(224,086)	3,521,335
Pledges receivable	135,000		1,815,882		1,950,882
Prepaid development costs		1,145,426			1,145,426
Other current assets	231,895		2,011		233,906
<b>TOTAL CURRENT ASSETS</b>	<b>6,870,213</b>	<b>1,603,104</b>	<b>4,149,586</b>	<b>(224,086)</b>	<b>12,398,817</b>
<b>PROPERTY AND EQUIPMENT</b>					
Land		1,166,133			1,166,133
Land improvements		239,190			239,190
Building and improvements		14,672,382			14,672,382
Furniture and fixtures	484,386	152,613			636,999
Transportation equipment	352,970				352,970
	837,356	16,230,318	-	-	17,067,674
Accumulated depreciation	(651,042)	(6,861,280)			(7,512,322)
	186,314	9,369,038	-	-	9,555,352
<b>OTHER ASSETS</b>					
Pledges receivable, net of current portion			2,932,800		2,932,800
Investments:					
Endowment funds					
Alice Harrower Swigert Fund			925,474		925,474
Other Endowment fund			6,268,233		6,268,233
Investment fund			1,585,126		1,585,126
Deferred compensation accounts	1,217,913				1,217,913
	1,217,913	-	11,711,633	-	12,929,546
<b>TOTAL ASSETS</b>	<b>\$ 8,274,440</b>	<b>10,972,142</b>	<b>15,861,219</b>	<b>(224,086)</b>	<b>34,883,715</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 646,863	62,420	219,919	(224,086)	705,116
Liabilities accrued and withheld	1,488,368				1,488,368
Mortgage payable		5,562			5,562
Other liabilities	87,998				87,998
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,223,229</b>	<b>67,982</b>	<b>219,919</b>	<b>(224,086)</b>	<b>2,287,044</b>
<b>LONG-TERM LIABILITIES</b>					
Mortgage payable, net of current portion		188,178			188,178
Accrued retirement benefits	1,217,913				1,217,913
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,217,913</b>	<b>188,178</b>	<b>-</b>	<b>-</b>	<b>1,406,091</b>
<b>TOTAL LIABILITIES</b>	<b>3,441,142</b>	<b>256,160</b>	<b>219,919</b>	<b>(224,086)</b>	<b>3,693,135</b>
<b>NET ASSETS</b>					
Unrestricted	4,698,298	10,715,982	8,776,016		24,190,296
Temporarily restricted	135,000		6,865,284		7,000,284
<b>TOTAL NET ASSETS</b>	<b>4,833,298</b>	<b>10,715,982</b>	<b>15,641,300</b>	<b>-</b>	<b>31,190,580</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,274,440</b>	<b>10,972,142</b>	<b>15,861,219</b>	<b>(224,086)</b>	<b>34,883,715</b>

See accompanying notes to the combined financial statements.

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
June 30, 2015

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 2,482,736	791,062	1,780,831		5,054,629
Accounts receivable	4,050,908	3,894		(139,756)	3,915,046
Pledges receivable	135,000		-		135,000
Other current assets	214,610	37,016			251,626
<b>TOTAL CURRENT ASSETS</b>	<b>6,883,254</b>	<b>831,972</b>	<b>1,780,831</b>	<b>(139,756)</b>	<b>9,356,301</b>
<b>PROPERTY AND EQUIPMENT</b>					
Land		1,166,133			1,166,133
Land improvements		239,190			239,190
Building and improvements		14,452,668			14,452,668
Furniture and fixtures	383,242	106,788			490,030
Transportation equipment	340,139				340,139
	723,381	15,964,779	-	-	16,688,160
Accumulated depreciation	(641,864)	(6,140,013)			(6,781,877)
	81,517	9,824,766	-	-	9,906,283
<b>OTHER ASSETS</b>					
Pledges receivable, net of current portion			1,365,049		1,365,049
Investments:					
Endowment funds					
Alice Harrower Swigert Fund			919,835		919,835
Other Endowment fund			6,480,043		6,480,043
Investment fund			1,008,104		1,008,104
Deferred compensation accounts	1,346,083				1,346,083
	1,346,083	-	9,773,031	-	11,119,114
<b>TOTAL ASSETS</b>	<b>\$ 8,310,854</b>	<b>10,656,738</b>	<b>11,553,862</b>	<b>(139,756)</b>	<b>30,381,698</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 516,268	57,377	98,553	(139,756)	532,442
Liabilities accrued and withheld	2,025,366				2,025,366
Mortgage payable		5,562			5,562
Other liabilities	12,917		12,005		24,922
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,554,551</b>	<b>62,939</b>	<b>110,558</b>	<b>(139,756)</b>	<b>2,588,292</b>
<b>LONG-TERM LIABILITIES</b>					
Mortgage payable, net of current portion		193,739			193,739
Accrued retirement benefits	1,346,083				1,346,083
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,346,083</b>	<b>193,739</b>	<b>-</b>	<b>-</b>	<b>1,539,822</b>
<b>TOTAL LIABILITIES</b>	<b>3,900,634</b>	<b>256,678</b>	<b>110,558</b>	<b>(139,756)</b>	<b>4,128,114</b>
<b>NET ASSETS</b>					
Unrestricted	4,275,220	10,400,060	8,427,755		23,103,035
Temporarily restricted	135,000		3,015,549		3,150,549
<b>TOTAL NET ASSETS</b>	<b>4,410,220</b>	<b>10,400,060</b>	<b>11,443,304</b>	<b>-</b>	<b>26,253,584</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,310,854</b>	<b>10,656,738</b>	<b>11,553,862</b>	<b>(139,756)</b>	<b>30,381,698</b>

See accompanying notes to the combined financial statements.

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2016

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>					
<b>REVENUES AND SUPPORT</b>					
Contributions	\$		425,356		425,356
Contributions - In-kind	202,341		175,070	(175,070)	202,341
Contributions - affiliates	1,399,792	700,000	500,000	(2,599,792)	-
Government grants	6,253,951	5,561			6,259,512
United Way	135,000				135,000
Medicaid revenue	6,103,813				6,103,813
Per diem and fees for service	12,904,311				12,904,311
Rental income		870,217		(819,292)	50,925
Gain on sale of asset	4,000				4,000
Management fees	167,000			(98,000)	69,000
Investment income			177,735		177,735
Realized and unrealized loss on investments			(56,883)		(56,883)
Developer's fee		60,438			60,438
Other income	146,243				146,243
Net assets released from restriction	135,000		1,792,370		1,927,370
<b>TOTAL REVENUES AND SUPPORT</b>	<b>27,451,451</b>	<b>1,636,216</b>	<b>3,013,648</b>	<b>(3,692,154)</b>	<b>28,409,161</b>
<b>FUNCTIONAL EXPENSES</b>					
Program services	23,450,724			(819,292)	22,631,432
Supporting services:					
Management and general	3,577,649	820,294		(50,000)	4,347,943
Contributions to affiliates		500,000	2,320,361	(2,774,862)	45,499
Fundraising			345,026	(48,000)	297,026
<b>TOTAL EXPENSES</b>	<b>27,028,373</b>	<b>1,320,294</b>	<b>2,665,387</b>	<b>(3,692,154)</b>	<b>27,321,900</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>423,078</b>	<b>315,922</b>	<b>348,261</b>	<b>-</b>	<b>1,087,261</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
<b>REVENUES, GAINS AND SUPPORT</b>					
Contributions			5,642,105		5,642,105
United Way	135,000				135,000
Net Assets released from restriction	(135,000)		(1,792,370)		(1,927,370)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>3,849,735</b>	<b>-</b>	<b>3,849,735</b>
<b>CHANGE IN NET ASSETS</b>	<b>423,078</b>	<b>315,922</b>	<b>4,197,996</b>	<b>-</b>	<b>4,936,996</b>
NET ASSETS, beginning of year	4,410,220	10,400,060	11,443,304		26,253,584
<b>NET ASSETS, end of year</b>	<b>\$ 4,833,298</b>	<b>10,715,982</b>	<b>15,641,300</b>	<b>-</b>	<b>31,190,580</b>

See accompanying notes to the combined financial statements.

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2015

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>					
<b>REVENUES AND SUPPORT</b>					
Contributions	\$		598,147		598,147
Contributions - In-kind	145,328		165,721	(145,328)	165,721
Contributions - affiliates	1,202,001		284,000	(1,486,001)	-
Government grants	5,898,831	5,562			5,904,393
United Way	135,630				135,630
Medicaid revenue	5,560,783				5,560,783
Per diem and fees for service	11,966,832				11,966,832
Rental income		869,417		(822,692)	46,725
Management fees	157,000			(88,000)	69,000
Investment income			172,207		172,207
Realized and unrealized gain on investments			41,503		41,503
Other income	88,965				88,965
Net assets released from restriction	135,000		954,285		1,089,285
<b>TOTAL REVENUES AND SUPPORT</b>	<b>25,290,370</b>	<b>874,979</b>	<b>2,215,863</b>	<b>(2,542,021)</b>	<b>25,839,191</b>
<b>FUNCTIONAL EXPENSES</b>					
Program services	22,017,918			(822,692)	21,195,226
Supporting services:					
Management and general	3,216,740	865,717		(40,000)	4,042,457
Contributions to affiliates		284,000	1,421,429	(1,631,329)	74,100
Fundraising			409,419	(48,000)	361,419
<b>TOTAL EXPENSES</b>	<b>25,234,658</b>	<b>1,149,717</b>	<b>1,830,848</b>	<b>(2,542,021)</b>	<b>25,673,202</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>55,712</b>	<b>(274,738)</b>	<b>385,015</b>	<b>-</b>	<b>165,989</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
<b>REVENUES, GAINS AND SUPPORT</b>					
Contributions			870,233		870,233
United Way	135,000				135,000
Net Assets released from restriction	(135,000)		(954,285)		(1,089,285)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>(84,052)</b>	<b>-</b>	<b>(84,052)</b>
<b>CHANGE IN NET ASSETS</b>	<b>55,712</b>	<b>(274,738)</b>	<b>300,963</b>	<b>-</b>	<b>81,937</b>
NET ASSETS, beginning of year	4,354,508	10,674,798	11,142,341		26,171,647
<b>NET ASSETS, end of year</b>	<b>\$ 4,410,220</b>	<b>10,400,060</b>	<b>11,443,304</b>	<b>-</b>	<b>26,253,584</b>

See accompanying notes to the combined financial statements.



**Lighthouse Youth Services, Inc. and Affiliates**  
 Combined Statement of Functional Expenses  
 Year Ended June 30, 2016

	Behavioral Health and Psychiatric Service Area	Children, Youth, and Family Service Area	Community Based Juvenile Justice and Residential Treatment Service Area	Total Program Services	Management & General	Lighthouse Youth Services, Inc.	New Life Properties, Inc.	Beacon for Youth Foundation, Inc.	Eliminations	Combined
<b>OPERATING EXPENSES</b>										
SALARIES	\$ 2,695,792	4,417,320	4,848,819	11,961,931	1,922,325	13,884,256		91,392		13,975,648
BENEFITS/PAYROLL TAXES	508,463	1,088,785	1,305,330	2,902,578	451,079	3,353,657		13,519		3,367,176
PROFESSIONAL FEES	193,050	3,278,135	148,385	3,619,570	508,957	4,128,527	48,318	66,968	(98,000)	4,145,813
EQUIPMENT & SUPPLIES	18,648	144,724	426,881	590,253	421,738	1,011,991		135,461		1,147,452
INSURANCE	10,028	63,960	78,690	152,678	55,982	208,660		840		209,500
OCCUPANCY EXPENSES	227,249	870,632	851,253	1,949,134	9,449	1,958,583	49,242	28,052	(819,292)	1,216,585
TRAVEL & MEETINGS	106,838	427,441	145,582	679,861	82,487	762,348	56	4,974		767,378
DEPRECIATION		5,271	6,166	11,437	18,542	29,979	722,668			752,647
INDIVIDUAL ASSISTANCE	76,053	1,230,118	263,335	1,569,506	21,588	1,591,094				1,591,094
CONTRIBUTION TO AFFILIATE							500,000	2,320,361	(2,774,862)	45,499
TOTAL OTHER EXPENSES	270	10,906	2,600	13,776	85,502	99,278	10	3,820		103,108
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 3,836,391</b>	<b>11,537,292</b>	<b>8,077,041</b>	<b>23,450,724</b>	<b>3,577,649</b>	<b>27,028,373</b>	<b>1,320,294</b>	<b>2,665,387</b>	<b>(3,692,154)</b>	<b>27,321,900</b>

See accompanying notes to the combined financial statements.

**Lighthouse Youth Services, Inc. and Affiliates**  
 Combined Statement of Functional Expenses  
 Year Ended June 30, 2015

	<b>Behavioral Health and Psychiatric Service Area</b>	<b>Children, Youth, and Family Service Area</b>	<b>Community Based Juvenile Justice and Residential Treatment Service Area</b>	<b>Total Program Services</b>	<b>Management &amp; General</b>	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>OPERATING EXPENSES</b>										
SALARIES	\$ 3,223,773	3,676,195	4,756,864	11,656,832	1,740,572	13,397,404		124,804		13,522,208
BENEFITS/PAYROLL TAXES	534,986	779,930	1,000,807	2,315,723	398,323	2,714,046		13,956		2,728,002
PROFESSIONAL FEES	203,017	2,863,777	154,423	3,221,217	427,380	3,648,597	50,417	69,926	(88,000)	3,680,940
EQUIPMENT & SUPPLIES	24,256	145,135	434,636	604,027	250,982	855,009	50	167,599		1,022,658
INSURANCE	9,838	60,664	73,931	144,433	49,207	193,640		1,360		195,000
OCCUPANCY EXPENSES	246,245	804,601	776,153	1,826,999	123,092	1,950,091	70,043	21,712	(822,692)	1,219,154
TRAVEL & MEETINGS	136,564	348,167	132,237	616,968	94,348	711,316	793	4,702		716,811
DEPRECIATION		6,118	20,938	27,056	19,427	46,483	744,414			790,897
INDIVIDUAL ASSISTANCE	96,046	1,296,519	204,423	1,596,988		1,596,988				1,596,988
CONTRIBUTION TO AFFILIATE							284,000	1,421,429	(1,631,329)	74,100
TOTAL OTHER EXPENSES	150	5,140	2,385	7,675	113,409	121,084		5,360		126,444
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 4,474,875</b>	<b>9,986,246</b>	<b>7,556,797</b>	<b>22,017,918</b>	<b>3,216,740</b>	<b>25,234,658</b>	<b>1,149,717</b>	<b>1,830,848</b>	<b>(2,542,021)</b>	<b>25,673,202</b>

See accompanying notes to the combined financial statements.

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2016

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 423,078	315,922	4,197,996		4,936,996
Adjustments to reconcile change in net cash provided (used) by operating activities:					
Depreciation	29,979	722,668			752,647
Realized and unrealized loss on investments			56,883		56,883
Gain on sale of equipment	(4,000)				(4,000)
Forgiveness of long-term debt		(5,561)			(5,561)
Effects of change in operating assets and liabilities:					
Accounts receivable	317,168	(7,787)		84,330	393,711
Pledges receivable			(3,383,633)		(3,383,633)
Prepaid development costs		(1,145,426)			(1,145,426)
Other current assets	(17,285)	37,016	(2,011)		17,720
Accounts payable	130,595	5,043	121,366	(84,330)	172,674
Liabilities accrued and withheld	(536,998)				(536,998)
Other liabilities	75,081		(12,005)		63,076
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>417,618</b>	<b>(78,125)</b>	<b>978,596</b>	<b>-</b>	<b>1,318,089</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment	(134,776)	(266,940)			(401,716)
Proceeds from sale of property	4,000	-			4,000
Net purchase of investments			(427,734)		(427,734)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(130,776)</b>	<b>(266,940)</b>	<b>(427,734)</b>	<b>-</b>	<b>(825,450)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>286,842</b>	<b>(345,065)</b>	<b>550,862</b>	<b>-</b>	<b>492,639</b>
CASH AND CASH EQUIVALENTS, beginning of year	2,482,736	791,062	1,780,831	-	5,054,629
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 2,769,578</b>	<b>445,997</b>	<b>2,331,693</b>	<b>-</b>	<b>5,547,268</b>

See accompanying notes to the combined financial statements.

**LIGHTHOUSE YOUTH SERVICES, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2015

	<b>Lighthouse Youth Services, Inc.</b>	<b>New Life Properties, Inc.</b>	<b>Beacon for Youth Foundation, Inc.</b>	<b>Eliminations</b>	<b>Combined</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 55,712	(274,738)	300,963		81,937
Adjustments to reconcile change in net cash provided by operating activities:					
Depreciation	46,483	744,414			790,897
Realized and unrealized gain on investments			(41,503)		(41,503)
Forgiveness of long-term debt		(5,562)			(5,562)
Effects of change in operating assets and liabilities:					
Accounts receivable	780,326			10,865	791,191
Pledges receivable			385,584		385,584
Other current assets	(62,515)	(37,016)			(99,531)
Accounts payable	41,789	(28,037)	(40,995)	(10,865)	(38,108)
Liabilities accrued and withheld	331,396				331,396
Other liabilities	(67,014)		12,005		(55,009)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,126,177</b>	<b>399,061</b>	<b>616,054</b>	<b>-</b>	<b>2,141,292</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment	(70,506)	(191,714)			(262,220)
Net purchase of investments			(716,206)		(716,206)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(70,506)</b>	<b>(191,714)</b>	<b>(716,206)</b>	<b>-</b>	<b>(978,426)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,055,671</b>	<b>207,347</b>	<b>(100,152)</b>	<b>-</b>	<b>1,162,866</b>
CASH AND CASH EQUIVALENTS, beginning of year	1,427,065	583,715	1,880,983		3,891,763
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 2,482,736</b>	<b>791,062</b>	<b>1,780,831</b>	<b>-</b>	<b>5,054,629</b>

See accompanying notes to the combined financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements presented are those of Lighthouse Youth Services, Inc. ("Lighthouse"), New Life Properties, Inc. ("NLP") and the Lighthouse Beacon for Youth Foundation, Inc. (the "Foundation") (collectively referred to as the "Agency"). These are not-for-profit organizations incorporated in Ohio for the purpose of operating exclusively for charitable and educational purposes serving clients from throughout Ohio in facilities in southern Ohio. Lighthouse Youth Services, Inc. was incorporated in April 1969. New Life Properties, Inc. was incorporated in January 1978. The Foundation was incorporated in July 2004. All inter-agency charges have been eliminated in the combination.

### **Lighthouse Youth Services, Inc.**

Lighthouse Youth Services, Inc. provides various services to youth and families. Agency services include:

#### **Children, Youth and Family Service Area:**

The Youth Crisis Center is an emergency shelter and hotline service that provides crisis intervention and a safe haven for young people when their living situation is disrupted or endangered.

Youth Housing Opportunities offers housing and associated self-sufficiency skills to older homeless young men and women including those with children, as well as, those youth who are aging out of foster care and group home services without having a suitable or appropriate living situation. Lighthouse staff supports clients through a variety of case management services, including mental health or chemical dependency issues.

The Sheakley Center for Youth provides emergency housing for young adults for up to 30 days and case management services to assist them in setting goals for employment, school and finding housing. It also provides the following services: a daily meal, showers, laundry, access to computers, and limited medical care.

Help Me Grow Services provide central intake, support and service coordination for families of infants and toddlers who are at risk for, or are experiencing, developmental delays.

Therapeutic Foster Care and Adoption Services provides foster care for abused and neglected children who are referred by local children service agencies and juvenile courts. Emergency referrals and placements are accepted. The Agency also provides adoptions services for the children in the custody of Hamilton County Jobs and Family Services.

Assertive Community Treatment (ACT) This service area provides an evidence based model of service delivery by employing intensive case management services to adolescents and young adults with severe mental health problems.

Youth at Risk of Homelessness: Lighthouse is participating in the Youth at Risk of Homelessness Grant, funded by the Administration of Children, Youth and Families. Phase II began in the fall of 2015 and the selected interventions of trauma therapy and high fidelity wrap around services will be evaluated during this phase.

Safe and Supported: This service area is working to implement the Safe and Supported Community Plan. The Safe and Supported plan to prevent homelessness for LGBT youth in Hamilton County will facilitate greater local collaboration among organizations that serve youth, improve the quality of interventions and connect youth to resources.

**Behavioral Health and Psychiatric Service Area:**

Wrap Around Services provide a wide variety of short term, time sensitive services for youth and families. Primarily, the services are directed toward preventing placement in out of home care or to help transition children from out of home care to a less restrictive placement or to their families.

Therapy Services provide intensive, in-home counseling and support services to families who are at high risk for family separation, and to youth and families when youth are stepping down from a residential facility or group home to foster care, their own home or independent living.

Work Appreciation for Youth (WAY) improves the self-sufficiency of youth identified with mental health diagnoses by matching them with supportive life coaches/case managers who will provide school and employment related skill development, and assist youth with overcoming the barriers of their mental health diagnosis as they continue educational goals or transition into adulthood.

**Community Based Juvenile Justice and Residential Treatment Service Area:**

Youth Development Center is a therapeutic community-based residential service for teenage boys who suffer from emotional, behavioral, and other mental health problems. Residents are taught skills that will enable them to resolve family and personal issues. A psychiatrist, social workers, and well-trained staff help youth with their problems and challenges.

New Beginnings is a therapeutic, community-based residential service for teenage girls who have often been unsuccessful in other out-of-home placements. Typically clients are victims of physical and sexual abuse and/or may suffer from emotional and mental health problems. A psychiatrist, social workers, and well-trained staff help youth with their problems and challenges.

Youth Center at Paint Creek provides intensive residential rehabilitation services to adolescent males who have been adjudicated delinquent for the commission of felony I and felony II offenses. LYC-PC rehabilitates youth through an intense program which provides positive peer culture and extensive cognitive behavioral intervention.

Lighthouse Youth Counseling Services provides structured aftercare services for boys returning to Montgomery Co. from Lighthouse Youth Center at Paint Creek. This service area also provides structured treatment, including partial hospitalization services, to boys referred directly from the Ohio Department of Youth Services and Montgomery County Juvenile Court.

Re-Entry Services provides transitional and re-entry services for moderate and high risk youthful offenders returning to the community after a period of out-of-home placement and /or institutions.

Functional Family Therapy: Lighthouse therapists and case managers provide intensive services in client homes, communities, schools, and other agencies during traditional and non-traditional hours, including weekends. The Functional Family Therapy system of care and treatment is child/youth centered, family focused, home/community based, and culturally competent. The service helps clients

and their families identify and utilize their strengths and assets, as well as community resources and supports.

**New Life Properties, Inc.**

New Life Properties, Inc. (a 501(c)(3) organization) is the entity which maintains and operates the facilities where the services of Lighthouse Youth Services, Inc. take place. Lighthouse Youth Services, Inc. rents certain of these facilities from New Life Properties, Inc. under annual leases. This rental income and expense is eliminated in the combined financial statements. New Life Properties, Inc. has a wholly-owned subsidiary Iowa Avenue Associates, LLC which was created to own a 0.01% interest in a partnership in Sheakley Center for Youth LTD. This partnership will utilize various tax credit incentives as described in Note 12.

**Lighthouse Beacon for Youth Foundation, Inc.**

In 2004, the Lighthouse Board of Trustees established the Lighthouse Beacon for Youth Foundation. This 501(c)(3) corporation was formed to facilitate the fundraising functions of, and to provide financial support for Lighthouse Youth Services, Inc. and Affiliates. Contributions to and from the affiliates are eliminated in the combined financial statements.

**Lighthouse Community School, Inc.**

The Lighthouse Community School (the "School") is a 501(c)(3) organization and is a related entity of Lighthouse Youth Services, Inc. The School provides individualized educational opportunities for Lighthouse clients and youth from the community who require intervention. The School serves students in grades 6 to 12. The School is governed by a separate Board of Trustees and it has been determined that the Agency does not have an economic interest in the School. The School contracts with the Agency for various management services including human resources and employee benefits, grant application assistance, financial management, and administrative staff supervision. The School paid the Agency \$69,000 during the years ended June 30, 2016 and 2015 for these services which is reported in management fees in the combined statements of activities. The School received \$45,499 and \$74,100 from the Foundation during the fiscal years ended June 30, 2016 and 2015, respectively, which is reported as contributions to affiliates in the combined statements of activities. The School paid \$50,925 and \$46,725 in rent to New Life Properties during fiscal years ended June 30, 2016 and 2015, respectively, which is reported as rental income in the combined statements of activities.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

**Financial statement presentation**

The Agency reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, which have no donor-imposed restrictions, temporarily restricted net assets, which have donor-imposed restrictions that will likely expire in the future, and permanently restricted net assets, which have donor-imposed restrictions which do not expire. The Agency did not have any permanently restricted net assets as of June 30, 2016 and 2015.

**Estimates**

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

**Cash and cash equivalents**

The Agency considers cash in operating bank accounts, cash on hand, certificates of deposit, U.S. treasury bills and other highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

**Concentration of credit risk**

The Agency maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Allowance for doubtful accounts**

The Agency carries its accounts receivable at the original amount billed less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. No allowance is deemed necessary at June 30, 2016 and 2015.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**Property and equipment**

Property and equipment are stated at cost. Major renewals and improvements are charged to the fixed asset accounts. It is the Agency's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed since they do not improve or extend the lives of the respective assets. At the time fixed assets are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

**Depreciation**

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which are stated at cost. Estimated useful lives for purposes of depreciation are as follows:

Land improvements	25 years
Buildings and improvements	25 years
Furniture and fixtures	3-10 years
Transportation equipment	3-4 years

Depreciation expense was \$752,647 and \$790,897 for the year ended June 30, 2016 and 2015, respectively.

**Contributions**

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the temporarily or permanently restricted net asset classes. Temporarily restricted contributions whose restrictions are met in the same period as the contribution are reported as temporarily restricted support and net assets released from restriction.



The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Pledges receivable**

Pledges receivable are recognized as revenues at their net present value based on the risk free rate in the period in which the donor commits to the pledge. Management believes all pledges receivable are fully collectable.

Pledges receivable are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 1,950,882	800,000
Receivable in one to five years	<u>2,995,200</u>	<u>730,666</u>
	4,946,082	1,530,666
Less unamortized discount	<u>(62,400)</u>	<u>(30,617)</u>
	<u>\$ 4,883,682</u>	<u>1,500,049</u>

**Donated services**

Lighthouse Youth Services, Inc. receives services donated by individuals in carrying out its programs. The individuals volunteer their time and perform a variety of tasks that assist Lighthouse. These services do not meet the criteria for recognition as contributed services. Therefore, no amounts have been reflected in the financial statements for those services.

**Functional expense allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among benefited programs and supporting services. All fundraising costs are charged to fundraising; there are no joint costs.

**Income tax status**

The Agency is a not-for-profit entity exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Agency has adopted accounting guidance, which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Agency does not believe its financial statements include any uncertain tax positions. The Agency's income tax filings are subject to audit by various taxing authorities. The fiscal years ending prior to June 30, 2013 are closed to audit. The Agency's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense.

**Subsequent events**

The Agency evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 31, 2016, the date on which the financial statements were available to be issued.

**Reclassifications**

Certain items from 2015 have been reclassified to conform to current year presentation.

**2. INVESTMENTS:**

**Deferred compensation accounts**

The Agency has nonqualified retirement funds for certain key employees. All participants are 100% vested. Amounts held in the deferred compensation accounts are subject to the general claims of creditors of the Agency.

**Investment fund**

The Agency has invested additional funds in fixed income and equity funds. These funds, including related investment income, unrealized and realized gains and losses are unrestricted and are not designated.

**Endowment fund**

The Agency has implemented FASB guidance requiring that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, to be classified and reported based on the existence or absence of donor-imposed restrictions. The endowment consists of several funds established by the Board of Trustees to provide income for operations and other purposes. The total value of the board-designated endowment investments at June 30, 2016 and 2015 is \$7,193,707 and \$7,399,878, respectively.

Changes in unrestricted endowment investments are as follows for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Endowment investments at beginning of year	\$ 7,399,878	6,937,300
Interest and dividend income	178,791	194,352
Realized and unrealized gain (loss) on investments	(114,123)	30,371
Contributions	0	480,000
Appropriations	(250,000)	(220,000)
Management fees	<u>(20,839)</u>	<u>(22,145)</u>
Endowment investments at end of year	<u>\$ 7,193,707</u>	<u>7,399,878</u>

**Return objectives and risk parameters**

The Agency has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of current assets and all future contributions; maximize returns within reasonable and prudent levels of risk; and to maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns. The return objective shall be accomplished utilizing a strategy of equities, fixed income, and cash equivalents in an optimal mix, which will outperform a blend of relative indexes net of fees over a full market cycle. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell 2000 Stock Index, and other indexes.

**Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which

investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy**

The Agency has a policy of appropriating for distribution no more than 4% of the rolling 36-month average of the fair value in endowment assets. The actual distribution is subject to the operating cash flow needs of the Agency but may not exceed the annual appropriation. All income and appreciation not needed to meet spending needs shall be reinvested into the endowment fund. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, this spending policy is intended to, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future.

**3. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles define fair value, establish a framework 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 Agency 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.

Fair value methods and assumptions on investments in money market funds and equity securities are based on the Level 1 market approach.

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2016</u>				
Cash and cash equivalents	\$ 11,780	11,780	-	-
Fixed income funds	3,952,608	3,952,608	-	-
Equity funds:				
Large cap value	498,026	498,026	-	-
Large cap growth	289,602	289,602	-	-
Domestic equity index	3,600,269	3,600,269	-	-
Mid cap value	28,205	28,205	-	-
Mid cap growth	31,720	31,720	-	-
Small cap growth	14,129	14,129	-	-
Small cap value	14,129	14,129	-	-
International equity index	1,508,377	1,508,377	-	-
Diversifying and emerging markets	6,058	6,058	-	-
Other	<u>41,842</u>	<u>41,842</u>	-	-
Total investments at fair value	<u>\$ 9,996,746</u>	<u>9,996,746</u>	<u>-</u>	<u>-</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2015</u>				
Cash and cash equivalents	\$ 26,610	26,610	-	-
Fixed income funds	3,384,687	3,384,687	-	-
Equity funds:				
Large cap value	260,603	260,603	-	-
Large cap growth	444,311	444,311	-	-
Domestic equity index	3,657,747	3,657,747	-	-
Mid cap value	37,521	37,521	-	-
Mid cap growth	70,984	70,984	-	-
Small cap growth	31,751	31,751	-	-
Small cap value	31,751	31,751	-	-
International equity index	1,722,782	1,722,782	-	-
Diversifying and emerging markets	6,994	6,994	-	-
Other	<u>78,324</u>	<u>78,324</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 9,754,065</u>	<u>9,754,065</u>	<u>-</u>	<u>-</u>

**4. CONCENTRATION OF REVENUE:**

The Agency is supported primarily through donor contributions, grants and contract revenues from public agencies that refer their clients to the Agency for various services.

The following is a summary of the Agency's concentrations of revenue for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Department of Job and Family Services - Hamilton County, Ohio	27%	24%
Ohio Department of Youth Services	11%	10%
Ohio Department of Medicaid	22%	22%
Ohio Family and Children First Council	5%	5%

**5. LINE OF CREDIT:**

The Agency has a \$500,000 line of credit arrangement with a bank. The line of credit expires in March 2017 and provides for interest payable at LIBOR plus 2.25% (2.72% at June 30, 2016) with assignment of all receivables as collateral. At June 30, 2016 and 2015 there was no balance outstanding on the line of credit.

**6. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 4,883,682	1,500,049
Program restrictions	<u>2,116,602</u>	<u>1,650,500</u>
	<u>\$7,000,284</u>	<u>3,150,549</u>

**7. MORTGAGES PAYABLE:**

The Agency has mortgages payable which consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mortgage to Ohio Department of Mental Health, forgivable in monthly installments of \$216 without interest; Mortgage is due May 2041. Secured by a building.	\$ 90,413	93,008
Mortgage to Ohio Department of Mental Health, forgivable in monthly installments of \$247 without interest; Mortgage is due May 2041. Secured by a building.	<u>103,327</u>	<u>106,293</u>
	193,740	199,301
Less current portion	<u>(5,562)</u>	<u>(5,562)</u>
	<u>\$ 188,178</u>	<u>193,739</u>

Aggregate annual maturities of notes payable at June 30, 2016 are:

2017	\$ 5,562
2018	5,562
2019	5,562
2020	5,562
2021	5,562
Thereafter	<u>165,930</u>
	<u>\$193,740</u>

**8. PENSION PLAN:**

The Agency has a defined-contribution plan under Internal Revenue Code 401(k). An employee of the Agency is eligible for participation if the employee is at least twenty-one years old and employed on the last day of the fiscal year. Employer contributions to the plan are funded currently and calculated annually based on a percentage of salary, which increases with the employee's attained age at the end of the plan year. The expense of the plan was \$556,844 and \$638,597 for the year ended June 30, 2016 and 2015, respectively. The plan is maintained at Fidelity Investments.

**9. CONTINGENCIES:**

The Agency receives grant monies from various federal and state agencies. Some of these agencies reserve the right to audit program expenditures for propriety at future dates. Therefore, certain grant and contract revenues may be requested to be refunded to funding sources if costs are disallowed. The Agency is not aware of any questioned costs or unresolved government audit findings as of June 30, 2016 and 2015.

The Agency is subject to claims and lawsuits which arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Agency.

**10. LONG-TERM LEASE:**

The Agency leased office equipment and several program facilities from unrelated parties and incurred approximately \$114,000 of rental expense in the years ended June 30, 2016 and 2015. These leases expire through March 2022 and are classified as operating with minimum rental commitments as follows at June 30:

2017	\$ 115,902
2018	101,073
2019	7,344
2020	7,344
2021	7,344
Thereafter	<u>5,508</u>
	<u>\$ 244,515</u>

## 11. HEALTH INSURANCE:

Effective January 1, 2014, the Agency elected to be self-funded for health insurance. The plan covers basic claims for eligible employees. The Agency pays claims as reported and incurred. A reserve has been established for claims incurred but not reported of \$200,000 and \$250,000 at June 30, 2016 and 2015, respectively, which is reported in liabilities accrued and withheld in the statement of financial position. A stopgap insurance policy is carried limiting medical claims to \$100,000 per individual and approximately \$1,600,000 in the aggregate.

## 12. COMMITMENTS AND CONTINGENCIES:

Lighthouse Youth Services, Inc. has established as a strategic initiative to End Youth Homelessness by 2020. As part of that plan, Lighthouse, along with a third-party developer, has obtained a building and designed a complex to provide 39 permanent supportive housing units, 28 shelter beds, day services, and office space. This project is financed with Low Income Housing Tax Credits, FHLB bank grant, City Home funds and private contributions. The significant guarantees are highlighted below.

New Life Properties, Inc., along with a third party developer (“Co-Developer”), is in the process of developing The Sheakley Center for Youth (the “Project”), owned by The Sheakley Center for Youth Limited Partnership (“the Partnership”). NLP and Co-Developer act as guarantors, jointly and severally, in certain capacities for the Partnership, this is outlined in the Mutual Indemnification Agreement (“Agreement”) between the parties. The highlights are summarily shared here:

For the Construction Completion Guarantee: The Co-Developer will be responsible for overruns of Condo 2 and NLP will be responsible for overruns of Condo 1 as defined in the Agreement.

For the Loan Shortfall Guaranty: the Co-Developer will be responsible for 67% and NLP for 33%.

The Operating Deficit Guarantee: The Co-Developer is responsible the operating deficit unless the deficit is caused by the 24/7 security/front desk costs. In that case, NLP would be responsible for the deficit.

The Co-Developer is responsible and NLP is also contingently liable to the investor partner under a low income housing tax credit guaranty, in the form of a Permanent Reduction in Credit and a Timing Difference in Credit (as defined by the Partnership’s Limited Partnership Agreement), in the event the low income housing tax credits do not meet the projected amounts and the construction of the Project was not completed on time.

In addition, NLP is contingently liable to the investor partner under a low income housing tax credit guaranty, in the form of a Material Credit Shortfall (as defined by Partnership’s Limited Partnership Agreement), if such an obligation shall accrue and if at the time the Project is managed by any party other than Brickstone Properties, LLC.

Financing arrangements made and funds provided by NLP under these guarantees would either be in the form of a non-interest bearing loan and would be repaid as cash flow of the project permits or shall be treated as income to the Project. NLP’s maximum exposure to the guarantees is not determinable with

any degree of accuracy, as determination of the ultimate amounts is dependent upon the Organization's ability to oversee, manage and optimize cash flows of the Project.

Subsequent to year-end, the Organization obtained a construction line of credit to finance certain Project costs. The line of credit has a maximum credit facility of \$6,000,000 with interest at LIBOR plus 1.25%. The line of credit has an option to convert to a fixed term loan with a conversion date of January 2, 2018. NLP has provided a guaranty for this line of credit. NLP is the borrower, with Lighthouse providing the guaranty. The loan is secured by the endowment assets in the Beacon for Youth Foundation.