

THE LIGHTHOUSE COVENANT CHURCH

**FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024**

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INDEPENDENT ACCOUNTANT'S REVIEW

To the Board of Directors
The Lighthouse Covenant Church
Glen Burnie, Maryland

We have reviewed the accompanying financial statements of The Lighthouse Covenant Church (the Church), which comprise the Statements of Financial Position as of December 31, 2025 and 2024 and the related Statements of Activities, and Cash flows for the years 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 Church'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 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 engagements 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 the Church and to meet our 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.

Anderson, Davis & Associates CPA

Glen Burnie, Maryland
March 24, 2026

THE LIGHTHOUSE COVENANT CHURCH
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash	\$ 3,847,799	\$ 3,750,760
Accounts receivable	1,081	295
Prepaid expenses	19,952	39,561
Total current assets	3,868,832	3,790,616
Property and equipment, at cost, less accumulated depreciation	10,832,579	11,464,539
Total assets	\$ 14,701,411	\$ 15,255,155
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 35,161	\$ 21,333
Accrued expenses and other liabilities	109,037	159,905
Note payable, current portion	213,140	204,703
Total current liabilities	357,338	385,941
Long-term Liabilities		
Note payable, non-current portion, net of debt issuance costs	4,520,105	5,511,615
Total long-term liabilities	4,520,105	5,511,615
Total liabilities	4,877,443	5,897,556
Net Assets		
Without donor restrictions	9,721,452	9,254,123
With donor restrictions	102,516	103,476
Total net assets	9,823,968	9,357,599
Total liabilities and net assets	\$ 14,701,411	\$ 15,255,155

See Independent Accountant's Review Report and Notes to the Financial Statements.

THE LIGHTHOUSE COVENANT CHURCH
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2025 and 2024

	2025		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES, GAINS AND OTHER SUPPORT:			
Tithes and offerings	\$ 5,848,276	\$ -	\$ 5,848,276
Heart and Soul revenue	-	89,287	89,287
Benevolence	-	139,283	139,283
Interest income	76,081	31	76,112
Other income	158,380	-	158,380
Release from net assets with donor restrictions	229,561	(229,561)	-
	<u>6,312,298</u>	<u>(960)</u>	<u>6,311,338</u>
EXPENSES AND LOSSES:			
<u>Program:</u>			
Ministry:			
Campus and central operations	3,181,394	-	3,181,394
Weekend experience	327,828	-	327,828
Discipleship	219,079	-	219,079
Care and outreach	233,745	-	233,745
	<u>3,962,046</u>	<u>-</u>	<u>3,962,046</u>
Benevolence	141,773	-	141,773
Total program expenses	<u>4,103,819</u>	<u>-</u>	<u>4,103,819</u>
<u>Supporting services:</u>			
General and administrative:			
General and administrative	264,805	-	264,805
Information technology	170,420	-	170,420
	<u>435,225</u>	<u>-</u>	<u>435,225</u>
Facility	433,401	-	433,401
Total supporting services	<u>868,626</u>	<u>-</u>	<u>868,626</u>
Depreciation	648,555	-	648,555
Interest expense	223,969	-	223,969
Total expenses	<u>5,844,969</u>	<u>-</u>	<u>5,844,969</u>
Change in net assets	467,329	(960)	466,369
Net assets, beginning of year	<u>9,254,123</u>	<u>103,476</u>	<u>9,357,599</u>
Net assets, end of year	<u>\$ 9,721,452</u>	<u>\$ 102,516</u>	<u>\$ 9,823,968</u>

2024		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,481,464	\$ -	\$ 5,481,464
-	119,411	119,411
-	137,068	137,068
96,394	35	96,429
128,953	-	128,953
264,288	(264,288)	-
<u>5,971,099</u>	<u>(7,774)</u>	<u>5,963,325</u>
2,949,448	-	2,949,448
263,453	-	263,453
267,487	-	267,487
210,420	-	210,420
<u>3,690,808</u>	<u>-</u>	<u>3,690,808</u>
145,077	-	145,077
<u>3,835,885</u>	<u>-</u>	<u>3,835,885</u>
209,236	-	209,236
164,123	-	164,123
<u>373,359</u>	<u>-</u>	<u>373,359</u>
385,349	-	385,349
<u>758,708</u>	<u>-</u>	<u>758,708</u>
709,686	-	709,686
262,905	-	262,905
<u>5,567,184</u>	<u>-</u>	<u>5,567,184</u>
403,915	(7,774)	396,141
<u>8,850,208</u>	<u>111,250</u>	<u>8,961,458</u>
<u>\$ 9,254,123</u>	<u>\$ 103,476</u>	<u>\$ 9,357,599</u>

See Independent Accountant's Review Report and Notes to the Financial Statements.

THE LIGHTHOUSE COVENANT CHURCH
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 466,369	396,141
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	648,555	709,686
Amortization of loan costs	9,132	9,132
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(786)	1,548
Prepaid expenses	19,609	(18,524)
Increase (decrease) in:		
Accounts payable	13,828	11,840
Accrued expenses and other liabilities	(50,868)	(58,024)
Net cash provided by operating activities	1,105,839	1,051,799
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,595)	(27,873)
Net cash used in investing activities	(16,595)	(27,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable	(992,205)	(926,422)
Net cash used in financing activities	(992,205)	(926,422)
Net increase in cash and cash equivalents	97,039	97,504
Cash and cash equivalents, beginning of year	3,750,760	3,653,256
Cash and cash equivalents, end of year	\$ 3,847,799	3,750,760
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest paid	\$ 214,837	\$ 253,773
Income taxes paid	\$ -	\$ -

See Independent Accountant's Review Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND PURPOSE

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Basis of Presentation

The Church follows the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. 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, if applicable, are now reported as net assets with donor restrictions.

Net assets without donor restriction – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of the Church's management and Governance Board.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents and Credit Risk

For purposes of reporting cash flows, the Church considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. The Church maintains cash balances at financial institutions located in Maryland. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The following summarizes the Church's cash, as of December 31, 2025, which is not federally insured or is in excess of federally insured limits, none of which is specifically collateralized.

Cash, in excess, in federally chartered bank: \$3,549,215

See the Independent Accountant's Review Report.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents and Credit Risk (continued)

The Church has not experienced any losses in such accounts and believes it is not exposed to any other significant credit risk to its cash and cash equivalents.

Revenue Recognition

Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update outlines a new, single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services.

ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Additionally, in June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. Analysis of various provisions of these standards resulted in no significant changes in the way the Church recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Church recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met.

Tithes and Offerings

Tithes and offerings received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Contributed assets other than cash are recorded at estimated fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of cash restricted for the acquisition of long-lived assets are reported as restricted support that increases net assets with donor restrictions. The restrictions are released when the long-lived assets are acquired or placed in service by the Church.

Donated Services

For the years ended December 31, 2025 and 2024, no donated services were recorded. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet recognition criteria.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions Receivables

Contributions receivables are reported in the Statement of Financial Position at the outstanding contribution balance adjusted for any write-offs and an allowance for potentially uncollectible contributions.

Income Taxes

The Church is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Church has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements and has determined there is no taxable unrelated business income.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis and most expense categories are recorded directly, without significant allocation.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential or disclosure through March 24, 2026, the date that the financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Church adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-to-use ("ROU") asset and a lease liability based on the present value of the remaining lease payments. The Church adopted the standard by applying the new transition alternative (ASU 2018-11) where an entity initially applies the new standard to all existing leases at the adoption date without restatement to prior periods. The Church elected the package of practical expedients which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. The Church elected to apply the risk-free rate, for all asset classes, to discount lease payments as permitted under ASU 2021-09. As permitted by the standard, the Church elected, for all asset classes, the short-term lease exemption in which leases with a term of 12 months or less are not recognized on the Statement of Financial Position.

The Church adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Church adopted FASB ASU 2016-13 Financial Instruments – *Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard sets forth a current expected credit loss model (“CECL”), which requires the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the previous methodology of delaying recognition of credit losses until it is probable a loss has been incurred.

These financial statements have not been affected by the implementation of these FASB standards.

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Church’s financial assets as of the statement of financial position at December 31, 2025 and 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2025	2024
Financial assets available at year end:		
Cash and cash equivalents	\$ 3,847,799	\$ 3,750,760
Total financial assets	3,847,799	3,750,760
Contractual or donor-imposed restrictions:		
Restricted by donor-imposed restrictions	(102,516)	(103,476)
Total financial assets not available to be used within one year	(102,516)	(103,476)
Financial assets available to meet general expenditures within one year	\$ 3,745,283	\$ 3,647,284

The Church’s goal is generally to maintain financial assets to meet 120 days of operating expenses, approximately \$1,670,000.

Note 4. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31,:

<u>Description</u>	<u>Estimated Life</u>	<u>2025</u>	<u>2024</u>
Buildings	39 yrs.	\$ 10,282,291	\$ 10,282,291
Building improvements	15 yrs.	3,402,669	3,402,669
Furniture and fixtures	5 yrs.	22,720	22,720
Equipment	5 yrs.	1,325,809	1,309,214
Construction in progress		253,900	253,900
		15,287,389	15,270,794
Less: accumulated depreciation		(4,454,810)	(3,806,255)
		\$ 10,832,579	\$ 11,464,539

Property and equipment are stated at cost. Donated assets are recorded at their fair value on the date of the gift, and other assets are recorded at cost. Depreciation is computed using straight-line method over the estimated useful life of the asset. The Church capitalizes all property and equipment with a cost of \$5,000 or more. Total depreciation expense for the years ended December 31, 2025 and 2024 was \$648,555 and \$709,686, respectively.

See the Independent Accountant’s Review Report.

NOTES TO THE FINANCIAL STATEMENTS

Note 5. NOTE PAYABLE

During 2021, the Church obtained a mortgage from a bank that consisted of two notes. The first note, totaling \$1,500,000, was payable in monthly installments over three years at a fixed interest rate of 3.5%. During 2021, that note was paid in full. The second note was for \$7,828,000, with \$320,000 being obtained in January 2022. The first year of the note required interest only payments. In June 2022, the Church was required to make a principal payment of \$250,000. However, the bank waived this requirement.

Beginning in July 2022, the Church began making principal and interest payments based upon a 25-year amortization period. The note matures on June 10, 2031. The note is payable in monthly installments of principal and interest of \$41,529 at a fixed rate of 3.99% per annum. The balance of this note payable as of December 31, 2025 and 2024 was \$4,783,468 and \$5,775,673, respectively. Interest expense for the years ended December 31, 2025 and 2024 was \$214,837 and \$253,773, respectively.

The note is secured by a First Deed of Trust on the property and is subject to a debt service coverage ratio beginning in 2022. In 2025 and 2024, the Church represented it met the debt service covenant ratio requirement.

As part of securing the note, the Church was required to pay \$91,317 in loan issuance costs. These loan issuance costs have been recorded as a reduction of the related debt balance on the Statement of Financial Position and are amortized over a ten-year life period. Loan amortization costs for the years ended December 31, 2025 and 2024 were \$9,132 and \$9,132, respectively and recorded as interest expense in the Statement of Activities. Accumulated amortization for the years ended December 2025 and 2024 was \$41,094 and \$31,962, respectively.

Note payable consists of the following at December 31,:

	2025	2024
Note payable	\$ 4,783,468	\$ 5,775,673
Less debt issuance costs, net of accumulated amortization	(50,223)	(59,355)
	\$ 4,733,245	\$ 5,716,318

Future maturities required of this total note payable are as follows for the years ending December 31,:

2026	\$	213,140
2027		221,924
2028		230,307
2029		240,561
2030		250,473
2031		3,627,063
	\$	4,783,468

See the Independent Accountant's Review Report.

NOTES TO THE FINANCIAL STATEMENTS

Note 6. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Specific Purpose:		
Benevolence	\$ 88,271	\$ 89,262
Designated/missions	14,245	14,214
	<u>\$ 102,516</u>	<u>\$ 103,476</u>

Net assets without donor restrictions were as follows for the years ended December 31,:

	<u>2025</u>	<u>2024</u>
Net Investments in Fixed Assets	\$ 6,099,334	\$ 5,748,221
Operations	3,622,118	3,505,902
	<u>\$ 9,721,452</u>	<u>\$ 9,254,123</u>

Note 7. RETIREMENT PLAN AND EXPENSES

The Church participates in a 403(b)(9) Retirement Plan. The plan is maintained, administered and controlled by an independent third-party administrator. Participation in the plan is optional and full-time employees are eligible to participate in the plan after 90-days of employment. Eligible employees may make elective deferrals to the plan up to the maximum amount allowed by the Internal Revenue Code. The Church makes discretionary matching contributions of up to 3% of the employee's total compensation which are immediately vested to the employee. For the years ended December 31, 2025 and 2024, the Church contributed approximately \$94,150 and \$81,594, respectively.

See the Independent Accountant's Review Report.