



Audited Financial Statements

Lambscroft Ministries, Inc.

Years Ended December 31, 2018 and 2017

LAMBSCROFT MINISTRIES, INC.

Audited Financial Statements

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lambcroft Ministries, Inc.:

We have audited the accompanying financial statements of Lambcroft Ministries, Inc., which comprise the statement 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambscroft Ministries, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2018, Lambscroft Ministries, Inc. adopted new accounting guidance required by Accounting Standards Update No. 2016-14. Our opinion is not modified with respect to this matter.

Prior Year Financial Statements

The financial statements of Lambscroft Ministries, Inc. as of December 31, 2017, and for the year then ended, were audited by other auditors whose report dated October 17, 2018 expressed an unmodified opinion on those statements.

PYA, P. C.

Brentwood, Tennessee
June 27, 2019

LAMBSCROFT MINISTRIES, INC.***Statements of Financial Position***

	<i>December 31,</i>	
	<i>2018</i>	<i>2017</i>
<hr/>		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 52,973	\$ 57,077
Accounts receivable	6,701	4,430
Prepaid expenses and other assets	3,420	6,085
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	63,094	67,592
PROPERTY AND EQUIPMENT, net	55,990	53,780
	<hr/>	<hr/>
TOTAL ASSETS	\$ 119,084	\$ 121,372
<hr/>		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,373	\$ 2,252
Accrued payroll	13,518	4,650
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	17,891	6,902
NET ASSETS		
Without donor restrictions	91,748	110,285
With donor restrictions	9,445	4,185
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TOTAL NET ASSETS	101,193	114,470
TOTAL LIABILITIES AND NET ASSETS	\$ 119,084	\$ 121,372
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LAMBSCROFT MINISTRIES, INC.

Statements of Activities

	<i>Year Ended December 31, 2018</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Public support and revenue			
Contributions, including in-kind of \$80,088	\$ 226,269	\$ 44,630	\$ 270,899
Program revenue	327,277	-	327,277
Rental revenue	44,751	-	44,751
Donated property and equipment	642	-	642
Miscellaneous revenue	2,921	-	2,921
Net assets released from restrictions	39,370	(39,370)	-
TOTAL PUBLIC SUPPORT AND REVENUE	641,230	5,260	646,490
Expenses:			
Program	624,177	-	624,177
Management and general	35,590	-	35,590
TOTAL EXPENSES	659,767	-	659,767
CHANGE IN NET ASSETS	(18,537)	5,260	(13,277)
NET ASSETS, BEGINNING OF YEAR	110,285	4,185	114,470
NET ASSETS, END OF YEAR	\$ 91,748	\$ 9,445	\$ 101,193

LAMBSCROFT MINISTRIES, INC.

Statements of Activities - Continued

	<i>Year Ended December 31, 2017</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Public support and revenue			
Contributions, including in-kind of \$151,400	\$ 247,900	\$ 63,279	\$ 311,179
Program revenue	328,849	-	328,849
Rental revenue	40,692	-	40,692
Special events	12,101	-	12,101
Donated property and equipment	5,884	-	5,884
Miscellaneous revenue	2,318	-	2,318
Net assets released from restrictions	75,572	(75,572)	-
TOTAL PUBLIC SUPPORT AND REVENUE	713,316	(12,293)	701,023
Expenses:			
Program	709,707	-	709,707
Management and general	23,223	-	23,223
TOTAL EXPENSES	732,930	-	732,930
CHANGE IN NET ASSETS	(19,614)	(12,293)	(31,907)
NET ASSETS, BEGINNING OF YEAR	129,899	16,478	146,377
NET ASSETS, END OF YEAR	\$ 110,285	\$ 4,185	\$ 114,470

LAMBSCROFT MINISTRIES, INC.

Statements of Functional Expenses

<i>Year Ended December 31, 2018</i>			
	<i>Program</i>	<i>Management and General</i>	<i>Total Expenses</i>
Salaries and benefits	\$ 233,163	\$ 6,000	\$ 239,163
Supplies, including in-kind of \$42,979	199,419	1,048	200,467
Rent	59,400	-	59,400
Utilities	39,345	-	39,345
Professional fees, including in-kind of \$36,467	27,200	9,267	36,467
Depreciation	17,252	-	17,252
Professional services	-	16,916	16,916
Insurance	11,154	959	12,113
Travel	9,877	510	10,387
Financial transaction fees	8,535	342	8,877
Repairs and maintenance	6,797	-	6,797
Gifts and benevolence	3,926	110	4,036
Dues and licenses	6,841	-	6,841
Postage and printing	927	438	1,365
Meals and entertainment	336	-	336
Marketing	5	-	5
TOTAL EXPENSES	\$ 624,177	\$ 35,590	\$ 659,767

LAMBSCROFT MINISTRIES, INC.***Statements of Functional Expenses - Continued***

<i>Year Ended December 31, 2017</i>			
	<i>Program</i>	<i>Management and General</i>	<i>Total Expenses</i>
Salaries and benefits	\$ 259,145	\$ 6,000	\$ 265,145
Supplies, including in-kind of	247,949	177	248,126
Rent	49,500	-	49,500
Professional fees, including in-kind of \$39,523	35,579	7,060	42,639
Utilities	35,705	-	35,705
Depreciation	35,659	-	35,659
Professional services	1,948	8,196	10,144
Repairs and maintenance	9,101	-	9,101
Travel	8,372	15	8,387
Insurance	6,149	1,200	7,349
Financial transaction fees	6,327	369	6,696
Gifts and benevolence, including in- of \$3,334	6,546	-	6,546
Dues and licenses	6,358	-	6,358
Postage and printing	971	192	1,163
Meals and entertainment	285	14	299
Marketing	113	-	113
TOTAL EXPENSES	\$ 709,707	\$ 23,223	\$ 732,930

LAMBSCROFT MINISTRIES, INC.

Statements of Cash Flows

	<i>Year Ended December 31,</i>	
	<i>2018</i>	<i>2017</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (13,277)	\$ (31,907)
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities:		
Depreciation expense	17,252	35,659
Loss on disposal of property and equipment	-	167
Donation of property and equipment	(642)	(2,550)
Change in operating assets and liabilities		
Accounts receivable	(2,271)	(2,544)
Prepaid expenses and other assets	2,665	(4,749)
Accounts payable	2,121	(2,233)
Accrued payroll	8,868	2,002
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	14,716	(6,155)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,820)	(21,665)
NET CASH USED IN INVESTING ACTIVITIES	(18,820)	(21,665)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,104)	(27,820)
CASH AND CASH EQUIVALENTS, beginning of year	57,077	84,897
CASH AND CASH EQUIVALENTS, end of year	\$ 52,973	\$ 57,077
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Donation of property and equipment	\$ 642	\$ 2,550

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE A--NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Lambscroft Ministries, Inc. (Lambscroft Ministries) was legally established in 2009 as an outreach partnership of local friends and area churches with a mission to serve the homeless. In doing so, a culinary training school was opened in 2013 to provide homeless men with practical and professional culinary skills so that participants will have the skills necessary to earn appropriate income for themselves and break the cycle of homelessness.

Lambscroft Ministries operates from facilities located in Nashville, Tennessee and attracts its participants and its support primarily from the Middle Tennessee area. Lambscroft Ministries is supported by contributions from the general public and café sales.

The following program services are provided by Lambscroft Ministries:

- *The Cookery Café and Culinary School (the Cookery):* A full-service restaurant offering coffee, breakfast, lunch, dinner and catering. Students in the associated culinary school are provided training in the Cookery's kitchen. Revenues from the café are used to support the culinary school and café.
- *Discipleship Housing and Outreach:* Programs offered in connection with local churches, offering homeless men shelter, meals, and bathing facilities under temporary or more permanent arrangements.

Basis of Presentation: Lambscroft Ministries presents its financial statements in accordance with accounting and reporting prescribed for not-for-profit organizations. Using the accrual basis of accounting, Lambscroft Ministries is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, Lambscroft Ministries is required to present a statement of cash flows and a statement of functional expenses. Net assets of Lambscroft Ministries are presented as follows:

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed stipulations.
- *Net Assets With Donor Restrictions:* Net assets subject to donor-imposed stipulations. When a restriction expires, 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.

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2018 and 2017

Cash and Cash Equivalents: Lambscroft Ministries considers all cash and related short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Contributions and Promises to Give: Contributions are recognized when the donor makes a promise to give to Lambscroft Ministries that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts Receivable: Accounts receivable represent amounts due for sales of catering services from the Cookery and rent receivable from program participants. Management believes accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary as of December 31, 2018 and 2017, respectively.

Accounts Payable: Accounts payable represent amounts due to vendors in connection with the operation of the Cookery. These payables are considered current and due less than one year from the statement of financial position date.

Property and Equipment: Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Non-leasehold related assets are depreciated using the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years. Leasehold improvements are depreciated over the lesser of the useful life of the related asset or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred.

Donated Materials and Services: Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. The value of donated food, as provided by the donor retailer, is recognized at estimated fair value on the date it is received, less an estimate of spoilage, with a corresponding expense for program services when distributed to the homeless. Donated services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets or they require specialized skill which would need to be purchased if they were not donated. A significant number of volunteer hours are given to the programs of Lambscroft Ministries even though not recognized within the financial statements.

Functional Allocation of Expenses: The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2018 and 2017

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sales Taxes: Lambscroft Ministries collects local and state sales taxes on all applicable sales related to the Cookery. These sales taxes are accounted for as reductions in program revenue and an associated liability. No amounts for sales taxes are reflected on the statements of activities or statements of functional expenses, as sales revenues are reported net of applicable taxes.

Income Taxes: Lambscroft Ministries is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and Lambscroft Ministries is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Lambscroft Ministries follows Financial Accounting Standards Board (FASB) Accounting Standards Codification guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Lambscroft Ministries does not believe there are any uncertain tax positions at December 31, 2018 and 2017. Additionally, Lambscroft Ministries has not recognized any tax related interest and penalties in the accompanying financial statements.

Recently Adopted Accounting Principle: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, which requires not-for-profit entities to present two classes of net assets in the financial statements, rather than the three classes required by existing standards. The two classes of net assets under the ASU are "net assets with donor restrictions" and "net assets without donor restrictions." ASU 2016-14 also adds enhanced disclosures, including composition of net assets with donor restrictions and quantitative and qualitative information that communicate the availability of financial assets to meet cash expenditures within one year of the balance sheet date. This ASU was adopted in 2018 and impacted financial statement presentation and disclosures. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Principles: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, recognition of revenue occurs

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2018 and 2017

when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the accounting standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2018. Management adopted this standard at January 1, 2019 as required.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and requires a modified retrospective transition approach for leases existing at the date of adoption. Management is currently evaluating the impact of the adoption of this standard on the financial statements.

NOTE B--PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<i>2018</i>	<i>2017</i>
Leasehold improvements	\$ 56,771	\$ 51,097
Equipment	94,989	86,332
Furniture and fixtures	37,463	35,331
Vehicles	11,000	11,000
	200,223	183,760
Less: Accumulated depreciation	(144,233)	(129,980)
	<u>\$ 55,990</u>	<u>\$ 53,780</u>

NOTE C-- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and/or time periods at December 31:

	<i>2018</i>	<i>2017</i>
Program activities in the coming year	\$ 9,445	\$ 4,185
	<u>\$ 9,445</u>	<u>\$ 4,185</u>

NOTE D--DONATED MATERIALS AND SERVICES

Lambscroft Ministries receives various non-cash gifts, primarily consisting of food donations from local retailers, and recognizes them as public support as the gifts are utilized. Generally, these donated materials are utilized within a few days of the time they are received.

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2018 and 2017

Occasionally, Lambscroft Ministries receives donations of assets. Donated materials and services, which are included in the statements of activities and functional expenses, are summarized as follows for the years ended December 31:

	<i>2018</i>	<i>2017</i>
Food for distribution to homeless	\$ 42,979	\$ 105,993
Professional fees	36,467	39,523
Furnishings and the Cookery and Discipleship House	642	2,550
Benevolence items	-	3,334
	<u>\$ 80,088</u>	<u>\$ 151,400</u>

NOTE E--RENTAL REVENUE

In conjunction with the culinary school program, Lambscroft Ministries operates three Discipleship Houses. These are facilities used to house students while they are participating in the culinary program. In addition to culinary students, these houses are also made available for other homeless non-student males to rent rooms, space permitting. The rental rate is \$100 per week and includes rent and associated utilities. Tenants do not enter into contractual agreements with Lambscroft Ministries. Additionally, Lambscroft Ministries rents its event space for use as a worship center or event venue on a short term basis. Rental revenue represents amounts collected during the year and amounts receivable at year-end.

NOTE F--LEASES

Lambscroft Ministries leases real estate in connection with the Cookery and Discipleship Housing programs. The following schedule details future minimum lease payments required under such lease arrangements:

<i>Year Ending December 31,</i>	
2019	\$ 40,100
2020	12,000
2021	-
2022	-
2023	-
	<u>\$ 52,100</u>

Rent expense totaled \$59,400 and \$49,500 for the years ended December 31, 2018 and 2017, respectively.

LAMBSCROFT MINISTRIES, INC.

Notes to Financial Statements - Continued

Years Ended December 31, 2018 and 2017

NOTE G--AVAILABILITY AND LIQUIDITY

All of the Company's financial assets with the exception of \$9,445 and \$4,185 of net assets with donor restrictions as of December 31, 2018 and 2017, respectively, are available for general use. Lambscroft manages its financial assets through an annual budgeting process.

NOTE H--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the December 31, 2018 financial statements.