

**LAMBSCROFT MINISTRIES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

LAMBSCROFT MINISTRIES, INC.

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## Independent Auditor's Report

To the Board of Directors of  
Lambcroft Ministries, Inc.

### **Opinion**

We have audited the financial statements of Lambcroft Ministries, Inc. ("Lambcroft Ministries") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lambcroft Ministries as of December 31, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lambcroft Ministries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of Lambcroft Ministries as of December 31, 2021 were audited by other auditors whose report dated September 14, 2022 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



To the Board of Directors of  
Lambscroft Ministries, Inc.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lambscroft Ministries' ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lambscroft Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lambscroft Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Crosslin, PLLC*

Nashville, Tennessee  
August 10, 2023

LAMBSCROFT MINISTRIES, INC.  
STATEMENTS OF FINANCIAL POSITION

		<u>ASSETS</u>	
		December 31,	
		2022	2021
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 100,863	\$ 81,844
Accounts receivable		3,019	1,547
Prepaid expenses and other assets		4,511	6,391
Total current assets		<u>108,393</u>	<u>89,782</u>
<b>NON-CURRENT ASSETS</b>			
Property and equipment			
net of accumulated depreciation		434,545	453,600
Total non-current assets		<u>434,545</u>	<u>453,600</u>
Total assets		<u>\$ 542,938</u>	<u>\$ 543,382</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 11,530	\$ 12,475
Accrued payroll		5,869	3,622
Current portion of long-term debt		11,568	11,276
Total current liabilities		<u>28,967</u>	<u>27,373</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt, net of current portion		247,126	315,430
Total non-current liabilities		<u>247,126</u>	<u>315,430</u>
Total liabilities		<u>276,093</u>	<u>342,803</u>
<b>NET ASSETS</b>			
Without donor restrictions		258,048	178,723
With donor restrictions		8,797	21,856
Total net assets		<u>266,845</u>	<u>200,579</u>
Total liabilities and net assets		<u>\$ 542,938</u>	<u>\$ 543,382</u>

See accompanying notes to the financial statements.

LAMBSCROFT MINISTRIES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Contributions of financial assets	\$ 249,485	\$ 68,477	\$ 317,962	\$ 197,706	\$ 80,680	\$ 278,386
Contributions of nonfinancial assets (Note F)	51,265	-	51,265	60,431	-	60,431
Program revenue	279,665	-	279,665	262,456	-	262,456
Rental revenue	39,398	-	39,398	46,692	-	46,692
Miscellaneous revenue	2,822	-	2,822	4,176	-	4,176
PPP loan forgiveness income	-	-	-	107,354	-	107,354
Gain on sale of fixed assets	700	-	700	700	-	700
Releases of net assets with donor restrictions	81,536	(81,536)	-	111,302	(111,302)	-
Total revenues	<u>704,871</u>	<u>(13,059)</u>	<u>691,812</u>	<u>790,817</u>	<u>(30,622)</u>	<u>760,195</u>
EXPENSES						
Program services	590,054	-	590,054	596,110	-	596,110
Management and general	34,229	-	34,229	32,476	-	32,476
Fundraising	1,263	-	1,263	-	-	-
Total expenses	<u>625,546</u>	<u>-</u>	<u>625,546</u>	<u>628,586</u>	<u>-</u>	<u>628,586</u>
Change in net assets	79,325	(13,059)	66,266	162,231	(30,622)	131,609
Net assets, beginning of the year	<u>178,723</u>	<u>21,856</u>	<u>200,579</u>	<u>16,492</u>	<u>52,478</u>	<u>68,970</u>
Net assets, end of the year	<u>\$ 258,048</u>	<u>\$ 8,797</u>	<u>\$ 266,845</u>	<u>\$ 178,723</u>	<u>\$ 21,856</u>	<u>\$ 200,579</u>

See accompanying notes to the financial statements.

LAMBSCROFT MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 237,288	\$ 3,993	\$ -	\$ 241,281
Supplies, including in-kind of \$25,024	185,182	1,972	164	187,318
Rent	32,400	-	-	32,400
Utilities	39,647	-	-	39,647
Professional fees, including in-kind of \$26,241	15,553	10,688	-	26,241
Depreciation	22,812	-	-	22,812
Professional services	10	14,970	-	14,980
Insurance	13,670	876	-	14,546
Interest	14,636	-	-	14,636
Repairs and maintenance	8,120	-	-	8,120
Dues and licenses	4,378	466	-	4,844
Financial transaction fees	7,734	546	669	8,949
Travel	6,054	700	-	6,754
Gifts and benevolence	1,670	18	-	1,688
Postage and printing	514	-	430	944
Meals and entertainment	386	-	-	386
	<u>\$ 590,054</u>	<u>\$ 34,229</u>	<u>\$ 1,263</u>	<u>\$ 625,546</u>

See accompanying notes to the financial statements.

LAMBSCROFT MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 218,912	\$ 3,437	\$ -	\$ 222,349
Supplies, including in-kind of \$34,190	199,418	86	-	199,504
Rent	40,300	-	-	40,300
Utilities	37,366	-	-	37,366
Professional fees, including in-kind of \$26,241	15,553	10,688	-	26,241
Depreciation	19,737	-	-	19,737
Professional services	5,242	14,064	-	19,306
Insurance	13,360	775	-	14,135
Interest	11,245	946	-	12,191
Repairs and maintenance	10,333	-	-	10,333
Dues and licenses	8,318	377	-	8,695
Financial transaction fees	7,295	543	-	7,838
Travel	5,925	1,422	-	7,347
Gifts and benevolence	2,612	138	-	2,750
Postage and printing	400	-	-	400
Meals and entertainment	35	-	-	35
Marketing	59	-	-	59
	<u>\$ 596,110</u>	<u>\$ 32,476</u>	<u>\$ -</u>	<u>\$ 628,586</u>

See accompanying notes to the financial statements.



LAMBSCROFT MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 66,266	\$ 131,609
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Depreciation	22,812	19,737
Amortization of deferred loan cost	91	76
PPP loan forgiveness	-	(107,354)
Donated property and equipment	(2,444)	-
(Gain) loss on disposal of property and equipment	(700)	(700)
(Increase) decrease in operating assets:		
Accounts receivable	(1,472)	(167)
Prepaid expenses and other assets	1,880	(2,836)
(Decrease) increase in operating liabilities:		
Accounts payable	(945)	6,827
Accrued payroll	2,247	(1,191)
Net cash provided by operating activities	<u>87,735</u>	<u>46,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	700	700
Purchases of property and equipment	<u>(1,313)</u>	<u>(440,173)</u>
Net cash used in investing activities	<u>(613)</u>	<u>(439,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt, net of deferred loan costs	-	338,180
Principal payments on long-term debt	(68,103)	(11,550)
Proceeds from PPP Loan	<u>-</u>	<u>53,677</u>
Net cash (used in) provided by financing activities	<u>(68,103)</u>	<u>380,307</u>
Net change in cash	19,019	(13,165)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>81,844</u>	<u>95,009</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 100,863</u>	<u>\$ 81,844</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 14,545</u>	<u>\$ 12,115</u>

See accompanying notes to the financial statements.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 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  
DECEMBER 31, 2022 AND 2021

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

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.

Program Revenue, Rental Revenue, and Accounts Receivable

Program participant charges are reported at the amount that reflects consideration to which Lambscroft Ministries expects to be entitled in exchange for providing various services as well as for the rental uses of their Discipleship Houses for the culinary school program and event space used as a worship center or event venue. For all services and rental facilities provided, timing of revenue recognition is based on services transferred over time as performance obligations are met under the contracts. Performance obligations are determined by the nature of the services provided to each participant. Lambscroft Ministries is generally directly responsible for fulfilling its performance obligations in contracts with program participants.

Program revenue and rental revenue, net represents the estimated net realizable amounts from program participants. Program participant charges and monthly rental charges are billed monthly; therefore, there are typically no contract assets or liabilities other than accounts receivable.

The estimated reimbursable amounts are based on management's knowledge and historical collections. The term between billing and when payment is due is generally not significant. As permitted under U.S. GAAP, Lambscroft Ministries has elected not to assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the program participant and transfer of the promised services and rental facilities to the program participant will be one year or less.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

Related accounts receivable represent amounts due for sales of catering services from the Cookery and rent receivables related to the Discipleship Houses and event space from program participants. The related accounts receivable are carried at cost less an allowance for doubtful accounts. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts are determined on the basis of experience, known and inherent risks, and current economic conditions. Management believes Lambscroft Ministries' accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary as of December 31, 2022 and 2021.

Lambscroft Ministries provides services and rental facilities to participants primarily located in the middle Tennessee area.

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, Net

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 skills 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.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Lambscroft Ministries' financial instruments consist of accounts receivable, accounts payable, accrued expenses, and long-term debt. The recorded values of accounts receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the long-term debt is not materially different from the estimated fair value of these instruments.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

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, 2022 and 2021. Additionally, Lambscroft Ministries has not recognized any tax related interest and penalties in the accompanying financial statements.

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires an entity to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. Likewise, Lambscroft Ministries must disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets. See Note F.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain 2021 amounts have been reclassified to conform with the 2022 presentation. The reclassifications had no impact on the total net assets for the 2021 fiscal year. In addition, the reclassifications had no impact on the change in net assets for fiscal year 2021.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 100,863	\$ 81,844
Accounts receivable	<u>3,019</u>	<u>1,547</u>
Total financial assets	<u>103,882</u>	<u>83,391</u>
Less amounts not available to be used for general expenditures within one year:		
Financial assets not available to be used within one year	<u>( 8,797)</u>	<u>( 21,856)</u>
Financial assets available to be used for general expenditure within one year	<u>\$ 95,085</u>	<u>\$ 61,535</u>

Lambscroft Ministries receives substantial support through restricted and unrestricted contributions and must maintain sufficient resources to meet responsibilities to its donors. Lambscroft Ministries manages its financial assets through an annual budgeting process and has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

C. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 255,000	\$ 255,000
Land	170,000	170,000
Leasehold improvements	61,565	61,565
Equipment	101,277	99,962
Furniture and fixtures	39,525	39,525
Vehicles	<u>9,444</u>	<u>10,000</u>
	636,811	636,052
Less: Accumulated depreciation	<u>(202,266)</u>	<u>(182,452)</u>
	<u>\$ 434,545</u>	<u>\$ 453,600</u>

D. LONG-TERM DEBT

As of December 31, 2022, Lambscroft Ministries had a 20-year adjustable-rate note payable with a commercial bank having an outstanding balance of \$170,390. Interest associated with this loan accrues at 4.50% per annum based on a year of 360 days on the unpaid principal balance for the first 60 monthly payments. For the remaining 180 monthly payments, the interest rate will accrue based on changes in an independent index which is the weekly average of the 5-year Treasury Securities adjusted to a constant maturity plus 3.00%, rounded to the nearest .125%. The interest rate may not be less than 4.5% per annum or more than the lesser of 20.5% per annum or the maximum rate allowed by applicable law. The note has a maturity date of April 2, 2041, and principal and interest payments are due in equal monthly installments amounting to \$1,145 between May 2, 2021 and the maturity date. Unpaid obligations, including principal, shall be due and payable at maturity. Prepayment may occur prior to the maturity date under certain terms and conditions.

As of December 31, 2022, Lambscroft Ministries had a 20-year adjustable-rate note payable with a commercial bank having an outstanding balance of \$89,957. Interest associated with this loan accrues at 4.50% per annum based on a year of 360 days on the unpaid principal balance for the first 60 monthly payments. For the remaining 180 monthly payments, the interest rate will accrue based on changes in an independent index which is the weekly average of the 5-year Treasury Securities adjusted to a constant maturity plus 3.00%, rounded to the nearest .125%. The interest rate may not be less than 4.5% per annum or more than the lesser of 20.5% per annum or the maximum rate allowed by applicable law. The note has a maturity date of January 27, 2041, and principal and interest payments are due in equal monthly installments amounting to \$1,018 between February 27, 2021 and the maturity date. Unpaid obligations, including principal, shall be due and payable at maturity. Prepayment may occur prior to the maturity date under certain terms and conditions.



LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

D. LONG-TERM DEBT - Continued

Future principal maturities of long-term debt are as follows at December 31, 2022:

Year Ending <u>December 31,</u>	
2023	\$ 11,568
2024	12,068
2025	12,669
2026	13,260
2027	13,877
Thereafter	<u>196,905</u>
	260,347
Less: current portion	<u>( 11,568)</u>
	<u>\$ 248,779</u>

At December 31, 2022, the long-term debt balances are reduced by debt issuance costs totaling \$1,653. The debt issuance costs are amortized on a straight-line basis, which approximate the effective interest method. Future amortization of debt issuance costs are as follows:

Year Ending <u>December 31,</u>	
2023	\$ 91
2024	91
2025	91
2026	91
2027	91
Thereafter	<u>1,198</u>
	<u>\$1,653</u>

E. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Program activities in the coming year	<u>\$8,797</u>	<u>\$21,856</u>

LAMBSCROFT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

E. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets with donor restrictions of \$81,536 and \$111,302 for the years ended December 31, 2022 and 2021, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

F. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are recorded as revenue and expenses in the accompanying statements of activities and functional expenses. Lambscroft Ministries receives various nonfinancial gifts, primarily consisting of food donations from local retailers, and recognizes them as public support at the estimated fair market value, as determined by the provider, on the date of donation. Generally, these donated materials are utilized within a few days of the time they are received. Revenue and expenses recognized from contributions of nonfinancial assets at both December 31, 2022 and 2021 are summarized by program/activities as follows:

	<u>2022</u>	<u>2021</u>
Food for distribution to homeless	\$25,024	\$34,190
Professional fees	<u>26,241</u>	<u>26,241</u>
	<u>\$51,265</u>	<u>\$60,431</u>

G. SUBSEQUENT EVENTS

Lambscroft Ministries, Inc. has evaluated subsequent events through August 10, 2023, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.