

LAMBSCROFT MINISTRIES, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

LAMBSCROFT MINISTRIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lambcroft Ministries, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Lambcroft Ministries, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Lambcroft Ministries, Inc. as of December 31, 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.

Frasin, Du & Hard, PLLC

August 9, 2017
Nashville, Tennessee

LAMBSCROFT MINISTRIES, INC
STATEMENT OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,897	\$ 56,868
Accounts receivable	1,886	1,664
Prepaid expenses and other assets	<u>1,336</u>	<u>-</u>
Total current assets	88,119	58,532
Property and equipment, net	<u>65,391</u>	<u>69,274</u>
Total assets	<u><u>\$ 153,510</u></u>	<u><u>\$ 127,806</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,485	\$ 7,094
Accrued payroll	<u>2,648</u>	<u>6,656</u>
Total current liabilities	<u>7,133</u>	<u>13,750</u>
Net assets:		
Unrestricted net assets	129,899	109,037
Temporarily restricted net assets	<u>16,478</u>	<u>5,019</u>
Total net assets	<u>146,377</u>	<u>114,056</u>
Total liabilities and net assets	<u><u>\$ 153,510</u></u>	<u><u>\$ 127,806</u></u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions, including in-kind of \$96,196	\$ 206,302	\$ 71,502	\$ 277,804
Program revenue	275,937	-	275,937
Rental revenue	56,322	-	56,322
Special events	5,617	-	5,617
Miscellaneous revenue	1,351	-	1,351
Net assets released from restrictions	60,043	(60,043)	-
	<u>605,572</u>	<u>11,459</u>	<u>617,031</u>
Expenses:			
Program	569,550	-	569,550
Management and general	15,160	-	15,160
Fundraising	-	-	-
	<u>584,710</u>	<u>-</u>	<u>584,710</u>
Change in net assets	20,862	11,459	32,321
Net assets at beginning of year	<u>109,037</u>	<u>5,019</u>	<u>114,056</u>
Net assets at end of year	<u><u>\$ 129,899</u></u>	<u><u>\$ 16,478</u></u>	<u><u>\$ 146,377</u></u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions, including in-kind of \$133,033	\$ 211,902	\$ 52,925	\$ 264,827
Program revenue	231,585	-	231,585
Rental revenue	75,536	-	75,536
Donation of vehicles	10,000	-	10,000
Special events	8,724	-	8,724
Miscellaneous revenue	741	-	741
Net assets released from restrictions	47,906	(47,906)	-
	<u>586,394</u>	<u>5,019</u>	<u>591,413</u>
Total public support and revenue			
Expenses:			
Program	577,834	-	577,834
Management and general	8,006	-	8,006
Fundraising	-	-	-
	<u>585,840</u>	<u>-</u>	<u>585,840</u>
Total expenses			
Change in net assets	554	5,019	5,573
Net assets at beginning of year	108,483	-	108,483
Net assets at end of year	<u>\$ 109,037</u>	<u>\$ 5,019</u>	<u>\$ 114,056</u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits, including in-kind of \$4,000	\$ 238,407	\$ 1,039	\$ -	\$ 239,446
Supplies, including in-kind of \$49,502	156,947	323	-	157,270
Rent	48,550	-	-	48,550
Professional fees, including in-kind of \$31,800	31,822	1,860	-	33,682
Depreciation	31,613	-	-	31,613
Utilities	31,495	-	-	31,495
Professional services	570	9,418	-	9,988
Financial transaction fees	6,135	299	-	6,434
Insurance	4,895	1,416	-	6,311
Dues and licenses	6,167	-	-	6,167
Repairs and maintenance	5,790	106	-	5,896
Travel	4,706	-	-	4,706
Gifts and benevolence	1,636	50	-	1,686
Postage and printing	612	249	-	861
Marketing	159	400	-	559
Meals and entertainment	46	-	-	46
	<u>\$ 569,550</u>	<u>\$ 15,160</u>	<u>\$ -</u>	<u>\$ 584,710</u>
Total expenses	<u>\$ 569,550</u>	<u>\$ 15,160</u>	<u>\$ -</u>	<u>\$ 584,710</u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Supplies, including in-kind of \$133,033	\$ 258,105	\$ 397	\$ -	\$ 258,502
Salaries and benefits	179,357	1,653	-	181,010
Rent	45,058	1,602	-	46,660
Utilities	35,409	2,123	-	37,532
Depreciation	21,803	-	-	21,803
Insurance	6,958	630	-	7,588
Travel	6,816	-	-	6,816
Financial transaction fees	6,036	69	-	6,105
Dues and licenses	4,360	225	-	4,585
Repairs and maintenance	4,304	-	-	4,304
Gifts and benevolence	2,667	422	-	3,089
Professional fees	2,033	457	-	2,490
Professional services	2,245	-	-	2,245
Marketing	1,266	-	-	1,266
Postage and printing	575	146	-	721
Other	676	-	-	676
Contract labor	-	282	-	282
Meals and entertainment	166	-	-	166
	<u>\$ 577,834</u>	<u>\$ 8,006</u>	<u>\$ -</u>	<u>\$ 585,840</u>
Total expenses	<u>\$ 577,834</u>	<u>\$ 8,006</u>	<u>\$ -</u>	<u>\$ 585,840</u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 32,321	\$ 5,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	31,613	21,803
Loss on disposal of property and equipment	929	-
Donation of property and equipment	(10,894)	(10,000)
Change in operating assets and liabilities:		
Accounts receivable	(222)	(1,304)
Prepaid expenses and other assets	(1,336)	393
Accounts payable	(2,609)	1,650
Accrued payroll	(4,008)	3,121
	<u>45,794</u>	<u>21,236</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	<u>(17,765)</u>	<u>(21,871)</u>
Net cash used in investing activities	<u>(17,765)</u>	<u>(21,871)</u>
Net increase (decrease) in cash and cash equivalents	28,029	(635)
Cash and cash equivalents, beginning of year	<u>56,868</u>	<u>57,503</u>
Cash and cash equivalents, end of year	<u><u>\$ 84,897</u></u>	<u><u>\$ 56,868</u></u>
Supplemental disclosure of noncash investing activities:		
Donation of property and equipment	<u><u>\$ 10,894</u></u>	<u><u>\$ 10,000</u></u>

See accompanying notes.

LAMBSCROFT MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Lambscroft Ministries, Inc. (the “Organization”) 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.

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

The following program services are provided by the Organization:

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

The Organization presents its financial statements in accordance with accounting and reporting prescribed for not-for-profit organizations. Using the accrual basis of accounting, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently. The Organization does not have any permanently restricted net assets at December 31, 2016 and 2015.

LAMBSCROFT MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization 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 the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

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. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years. 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 the Organization even though not recognized within the financial statements.

LAMBSCROFT MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND 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.

Sales Taxes

The Organization 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 activity or statements of functional expenses, as sales revenues are reported net of applicable taxes.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization 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.

The Organization follows Financial Accounting Standards Board 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. The Organization does not believe there are any uncertain tax positions at December 31, 2016 and 2015. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

LAMBSCROFT MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$ 49,455	\$ 40,600
Equipment	70,167	62,546
Furniture and Fixtures	28,924	19,451
Vehicles	<u>14,000</u>	<u>14,000</u>
	162,546	136,597
Less accumulated depreciation	<u>(97,155)</u>	<u>(67,323)</u>
	<u><u>\$ 65,391</u></u>	<u><u>\$ 69,274</u></u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes and/or time periods at December 31:

	<u>2016</u>	<u>2015</u>
Salaries and wages support	\$ 10,000	\$ 5,019
Culinary school	<u>6,478</u>	<u>-</u>
	<u><u>\$ 16,478</u></u>	<u><u>\$ 5,019</u></u>

NOTE 4 – DONATED MATERIALS AND SERVICES

The Organization 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. Occasionally, the Organization receives donations of assets. Donated materials and services are summarized as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Food for distribution to homeless	\$ 49,502	\$ 133,033
Professional fees	31,800	-
Furnishings for the Cookery and Discipleship Houses	10,894	-
Salaries and benefits	4,000	-
Vehicles for transporting homeless and catering services	<u>-</u>	<u>10,000</u>
	<u><u>\$ 96,196</u></u>	<u><u>\$ 143,033</u></u>

LAMBSCROFT MINISTRIES, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 5 – RENTAL REVENUE

In conjunction with the culinary school program, the Organization operates two 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 \$80 per week and includes rent and associated utilities. Tenants do not enter into contractual agreements with the Organization. Rental revenue represents amounts collected during the year and amounts receivable at year-end.

NOTE 6 – LEASES

The Organization 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:

Year ending December 31:	
2017	\$ 38,400
2018	<u>13,200</u>
Total	<u>\$ 51,600</u>

Rent expense totaled \$48,550 and \$46,660 in 2016 and 2015, respectively.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through August 9, 2017, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.