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# Financial Statements

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***Lambscroft Ministries, Inc.***

*Years Ended December 31, 2020 and 2019*

LAMBSCROFT MINISTRIES, INC.

*Financial Statements*

*Years Ended December 31, 2020 and 2019*

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*Financial Statements*

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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 statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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.

PYA, P.C.

Brentwood, Tennessee  
July 8, 2021

LAMBSCROFT MINISTRIES, INC.

*Statements of Financial Position*

	<i>December 31,</i>	
	<i>2020</i>	<i>2019</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 95,009	\$ 27,543
Accounts receivable	1,380	4,770
Prepaid expenses and other assets	3,555	7,928
TOTAL CURRENT ASSETS	99,944	40,241
PROPERTY AND EQUIPMENT, net	33,164	39,428
TOTAL ASSETS	\$ 133,108	\$ 79,669
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,648	\$ 19,734
PPP Loan - Note H	53,677	-
Accrued payroll	4,813	13,307
TOTAL CURRENT LIABILITIES	64,138	33,041
<b>NET ASSETS</b>		
Without donor restrictions	16,492	38,700
With donor restrictions	52,478	7,928
TOTAL NET ASSETS	68,970	46,628
TOTAL LIABILITIES AND NET ASSETS	\$ 133,108	\$ 79,669

**LAMBSCROFT MINISTRIES, INC.**

***Statements of Activities***

	<i>Year Ended December 31, 2020</i>		
	<i>Without</i>	<i>With Donor</i>	<i>Total</i>
	<i>Donor</i> <i>Restrictions</i>	<i>Restrictions</i>	
Public support and revenue			
Contributions, including in-kind of \$68,455	\$ 334,136	\$ 59,012	\$ 393,148
Program revenue	199,790	-	199,790
Rental revenue	44,995	-	44,995
Donated property and equipment	1,907	-	1,907
Miscellaneous revenue	11,358	-	11,358
Net assets released from restrictions	14,462	(14,462)	-
TOTAL PUBLIC SUPPORT AND REVENUE	606,648	44,550	651,198
Expenses:			
Program	594,385	-	594,385
Management and general	32,971	-	32,971
Fundraising	1,500	-	1,500
TOTAL EXPENSES	628,856	-	628,856
CHANGE IN NET ASSETS	(22,208)	44,550	22,342
NET ASSETS, BEGINNING OF YEAR	38,700	7,928	46,628
NET ASSETS, END OF YEAR	\$ 16,492	\$ 52,478	\$ 68,970

LAMBSCROFT MINISTRIES, INC.

*Statements of Activities - Continued*

	<i>Year Ended December 31, 2019</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Public support and revenue			
Contributions, including in-kind of \$60,256	\$ 216,277	\$ 13,497	\$ 229,774
Program revenue	315,929	-	315,929
Rental revenue	44,694	-	44,694
Miscellaneous revenue	1,325	-	1,325
Gain on sale of fixed assets	153	-	153
Net assets released from restrictions	15,014	(15,014)	-
TOTAL PUBLIC SUPPORT AND REVENUE	593,392	(1,517)	591,875
Expenses:			
Program	607,994	-	607,994
Management and general	34,446	-	34,446
Fundraising	4,000	-	4,000
TOTAL EXPENSES	646,440	-	646,440
CHANGE IN NET ASSETS	(53,048)	(1,517)	(54,565)
NET ASSETS, BEGINNING OF YEAR	91,748	9,445	101,193
NET ASSETS, END OF YEAR	\$ 38,700	\$ 7,928	\$ 46,628

**LAMBSCROFT MINISTRIES, INC.**

***Statements of Functional Expenses***

<i>Year Ended December 31, 2020</i>				
	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries and benefits	\$ 251,119	\$ 1,475	\$ 1,500	\$ 254,094
Supplies, including in-kind of \$38,941	172,710	226	-	172,936
Rent	63,845	-	-	63,845
Utilities	38,058	-	-	38,058
Professional fees, including in-kind of \$29,514	16,060	13,454	-	29,514
Depreciation	12,566	-	-	12,566
Professional services	-	13,812	-	13,812
Insurance	9,032	780	-	9,812
Travel	9,401	50	-	9,451
Financial transaction fees	5,672	824	-	6,496
Repairs and maintenance	7,696	-	-	7,696
Gifts and benevolence	1,466	462	-	1,928
Dues and licenses	5,006	1,822	-	6,828
Postage and printing	554	66	-	620
Meals and entertainment	16	-	-	16
Marketing	86	-	-	86
Loss on disposal of fixed assets	1,098	-	-	1,098
TOTAL EXPENSES	\$ 594,385	\$ 32,971	\$ 1,500	\$ 628,856



LAMBSCROFT MINISTRIES, INC.

*Statements of Functional Expenses - Continued*

<i>Year Ended December 31, 2019</i>				
	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries and benefits	\$ 239,225	\$ 10,000	\$ 4,000	\$ 253,225
Supplies, including in-kind of \$24,336	184,000	273	-	184,273
Rent	62,700	-	-	62,700
Utilities	39,474	-	-	39,474
Professional fees, including in-kind of \$35,920	27,886	8,034	-	35,920
Depreciation	16,491	-	-	16,491
Professional services	-	13,709	-	13,709
Insurance	8,056	867	-	8,923
Travel	8,146	490	-	8,636
Financial transaction fees	9,586	306	-	9,892
Repairs and maintenance	7,525	-	-	7,525
Gifts and benevolence	558	-	-	558
Dues and licenses	3,395	399	-	3,794
Postage and printing	714	358	-	1,072
Meals and entertainment	150	-	-	150
Marketing	88	10	-	98
TOTAL EXPENSES	\$ 607,994	\$ 34,446	\$ 4,000	\$ 646,440

**LAMBCROFT MINISTRIES, INC.**

***Statements of Cash Flows***

	<i>Year Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 22,342	\$ (54,565)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	12,566	16,491
Loss (gain) on disposal of property and equipment	1,098	(153)
Change in operating assets and liabilities		
Accounts receivable	3,390	1,931
Prepaid expenses and other assets	4,373	(4,508)
Accounts payable	(14,086)	15,361
Accrued payroll	(8,494)	(211)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>21,189</b>	<b>(25,654)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	-	512
Purchases of property and equipment	(7,400)	(288)
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(7,400)</b>	<b>224</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan - Note H	53,677	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>53,677</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>67,466</b>	<b>(25,430)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>27,543</b>	<b>52,973</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 95,009</b>	<b>\$ 27,543</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:</b>		
Donation of property and equipment	\$ 1,907	\$ -

## LAMBSCROFT MINISTRIES, INC.

### *Notes to Financial Statements*

#### *Years Ended December 31, 2020 and 2019*

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#### 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, 2020 and 2019*

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*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, 2020 and 2019, 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, 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 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, 2020 and 2019*

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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, 2020 and 2019. Additionally, Lambscroft Ministries has not recognized any tax related interest and penalties in the accompanying financial statements.

*Recently Issued Accounting Principles:* 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 No. 2016-02 is effective for fiscal years beginning after December 15, 2021 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:

# LAMBSCROFT MINISTRIES, INC.

## Notes to Financial Statements - Continued

### Years Ended December 31, 2020 and 2019

	2020	2019
Leasehold improvements	\$ 56,771	\$ 56,771
Equipment	95,533	96,482
Furniture and fixtures	39,525	39,867
Vehicles	11,000	11,000
	202,829	204,120
Less: Accumulated depreciation	(169,665)	(164,692)
	\$ 33,164	\$ 39,428

### 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:

	2020	2019
Program activities in the coming year	\$ 52,478	\$ 7,928

### NOTE D--DONATED MATERIALS AND SERVICES

Lambcroft 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. Occasionally, Lambcroft 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:

	2020	2019
Food for distribution to homeless	\$ 38,941	\$ 24,336
Professional fees	29,514	35,920
Furnishings for the Cookery and Discipleship House	1,907	-
	\$ 70,362	\$ 60,256

### NOTE E--RENTAL REVENUE

In conjunction with the culinary school program, Lambcroft Ministries operates four Discipleship Houses. Three of these are facilities used to house students while they are participating in the culinary program, and one facility houses two members of management of Lambcroft Ministries. 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 \$430 per



## LAMBSCROFT MINISTRIES, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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month 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:

<u><i>Year Ending December 31,</i></u>	
2021	\$ 48,300
2022	13,400
	<u>\$ 61,700</u>

Rent expense totaled \$63,845 and \$62,700 for the years ended December 31, 2020 and 2019, respectively.

#### NOTE G--AVAILABILITY AND LIQUIDITY

All of Lambscroft Ministries' financial assets, with the exception of \$52,478 and \$7,928 of net assets with donor restrictions as of December 31, 2020 and 2019, respectively, are available for general use. Lambscroft Ministries manages its financial assets through an annual budgeting process.

#### NOTE H--NATIONAL PANDEMIC

In March 2020, the outbreak of the coronavirus 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19 PHE has severely restricted economic activity and resulted in volatility in financial markets. Both the restaurant and not-for-profit industries have experienced adverse impacts on operations due to decreased revenues. As a response to the pandemic, Lambscroft Ministries took a Payroll Protection Program (PPP) loan from the Small Business Administration of approximately \$54,000. This loan was fully forgiven in 2021 and will be recognized as other income in that period. Through the PPP loan, an increase in contributions through additional contributions received in 2020, and other changes in operations, Lambscroft Ministries believes that the financial restraints resulting from the pandemic have been alleviated, though the total impact of the pandemic on Lambscroft Ministries remains unknown.

## LAMBSCROFT MINISTRIES, INC.

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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#### NOTE I--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, 2020 financial statements other than as disclosed in Note H and below.

*Purchase of Property:* Subsequent to year-end, Lambscroft Ministries purchased two houses, which were previously rented and served, and continue to serve, as Discipleship houses. Lambscroft Ministries paid approximately \$425,000 for the two Discipleship houses, which was composed of approximately \$85,000 in cash and approximately \$340,000 in new debt, which consists of two promissory notes with 20-year terms and monthly payments approximating \$2,250 per month.