

LAMBSCROFT MINISTRIES, INC.

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2017
and 2016*

And Report of Independent Auditor

LAMBSCROFT MINISTRIES, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1

FINANCIAL STATEMENTS

 Statements of Financial Position.....2

 Statements of Activities.....3-4

 Statements of Functional Expenses5-6

 Statements of Cash Flows7

 Notes to the Financial Statements8-11

Report of Independent Auditor

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 statement of financial position as of December 31, 2017, 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 Lambcroft Ministries, Inc. as of December 31, 2017, 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.

Prior Year Financial Statements

The financial statements of Lambcroft Ministries, Inc. as of December 31, 2016 were audited by other auditors whose report dated August 9, 2017 expressed an unmodified opinion on those statements.



October 17, 2018
Nashville, Tennessee

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 57,077	\$ 84,897
Accounts receivable	4,430	1,886
Prepaid expenses and other assets	6,085	1,336
Total Current Assets	67,592	88,119
Property and equipment, net	53,780	65,391
Total Assets	\$ 121,372	\$ 153,510
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,252	\$ 4,485
Accrued payroll	4,650	2,648
Total Current Liabilities	6,902	7,133
Net Assets:		
Unrestricted net assets	110,285	129,899
Temporarily restricted net assets	4,185	16,478
Total Net Assets	114,470	146,377
Total Liabilities and Net Assets	\$ 121,372	\$ 153,510

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
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
Fundraising	-	-	-
Total Expenses	732,930	-	732,930
Change in net assets	(19,614)	(12,293)	(31,907)
Net assets at beginning of year	129,899	16,478	146,377
Net assets at end of year	\$ 110,285	\$ 4,185	\$ 114,470

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Contributions, including in-kind of \$96,196	\$ 202,302	\$ 71,502	\$ 273,804
Program revenue	275,937	-	275,937
Rental revenue	56,322	-	56,322
Donated property and equipment	4,000	-	4,000
Special events	5,617	-	5,617
Miscellaneous revenue	1,351	-	1,351
Net assets released from restrictions	60,043	(60,043)	-
Total Public Support and Revenue	605,572	11,459	617,031
Expenses:			
Program	569,550	-	569,550
Management and general	15,160	-	15,160
Fundraising	-	-	-
Total expenses	584,710	-	584,710
Change in net assets	20,862	11,459	32,321
Net assets at beginning of year	109,037	5,019	114,056
Net assets at end of year	\$ 129,899	\$ 16,478	\$ 146,377

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 259,145	\$ 6,000	\$ -	\$ 265,145
Supplies, including in-kind of \$105,993	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-kind 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	<u>\$ 709,707</u>	<u>\$ 23,223</u>	<u>\$ -</u>	<u>\$ 732,930</u>

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)***YEAR ENDED DECEMBER 31, 2016*

	Program	Management and General	Fundraising	Total Expenses
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
Total Expenses	<u>\$ 569,550</u>	<u>\$ 15,160</u>	<u>\$ -</u>	<u>\$ 584,710</u>

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (31,907)	\$ 32,321
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	35,659	31,613
Loss on disposal of property and equipment	167	929
Donation of property and equipment	(2,550)	(10,894)
Change in operating assets and liabilities:		
Accounts receivable	(2,544)	(222)
Prepaid expenses and other assets	(4,749)	(1,336)
Accounts payable	(2,233)	(2,609)
Accrued payroll	2,002	(4,008)
Net cash (used in) provided by operating activities	<u>(6,155)</u>	<u>45,794</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(21,665)</u>	<u>(17,765)</u>
Net cash used in investing activities	<u>(21,665)</u>	<u>(17,765)</u>
Net (decrease) increase in cash and cash equivalents	(27,820)	28,029
Cash and cash equivalents, beginning of year	<u>84,897</u>	<u>56,868</u>
Cash and cash equivalents, end of year	<u><u>\$ 57,077</u></u>	<u><u>\$ 84,897</u></u>
Supplemental disclosure of noncash investing activities:		
Donation of property and equipment	<u><u>\$ 2,550</u></u>	<u><u>\$ 10,894</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

LAMBSCROFT MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities and summary of 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, 2017 and 2016.

Cash and Cash Equivalents – 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.

LAMBSCROFT MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities and summary of significant accounting policies (continued)

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.

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 activities 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, 2017 and 2016. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

LAMBSCROFT MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities and summary of significant accounting policies (continued)

Subsequent Events – The Organization evaluated subsequent events through October 17, 2018, 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.

Note 2—Property and equipment

Property and equipment consists of the following at December 31:

	2017	2016
Leasehold improvements	\$ 51,097	\$ 49,455
Equipment	86,332	70,167
Furniture and fixtures	35,331	28,924
Vehicles	11,000	14,000
	183,760	162,546
Less accumulated depreciation	(129,980)	(97,155)
	<u>\$ 53,780</u>	<u>\$ 65,391</u>

Note 3—Temporarily restricted net assets

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

	2017	2016
Salaries and wages support	\$ -	\$ 10,000
Program activities in the coming year	4,185	6,478
	<u>\$ 4,185</u>	<u>\$ 16,478</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:

	2017	2016
Food for distribution to homeless	\$ 105,993	\$ 49,502
Professional fees	39,523	31,800
Furnishings and the Cookery and Discipleship Houses	2,550	10,894
Salaries and benefits	-	4,000
Benevolence items	3,334	-
	<u>\$ 151,400</u>	<u>\$ 96,196</u>

LAMBSCROFT MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5—Rental revenue

In conjunction with the culinary school program, the Organization 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 \$80 per week and includes rent and associated utilities. Tenants do not enter into contractual agreements with the Organization. Additionally, the Organization 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 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,

2018	\$	58,200
2019		28,800
2020		-
2021		-
2022		-
	\$	<u>87,000</u>

Rent expense totaled \$49,500 and \$48,550 in 2017 and 2016, respectively.

Note 7—Future accounting pronouncements

The FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective for fiscal years beginning after December 15, 2017. The pronouncement changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The pronouncement includes qualitative and quantitative requirements in the following areas: Net asset classes, investment return, expenses and liquidity, and availability of resources. Management is currently evaluating the impact of this standard on the Organization’s financial statements.

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, generally effective for fiscal years beginning after December 15, 2018. The amendments in ASU 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. Management is currently evaluating the impact of this standard on the Organization’s financial statements.