

LAKE CHRISTIAN MINISTRIES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021

Independent Auditor's Report

The Board of Directors and Members
Lake Christian Ministries
Moneta, Virginia

Opinion

We have audited the accompanying financial statements of Lake Christian Ministries (a nonprofit organization), which comprise the statement of assets and net assets - modified cash basis as of December 31, 2021, and the related statement of support, revenue, and expenses - modified cash basis, functional expenses - modified cash basis and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly in all material respects, the assets, and net assets of Lake Christian Ministries at December 31, 2021, and its support, revenue, expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Lake Christian Ministries, Inc. 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.

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, 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.

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 Lake Christian Ministries, Inc.'s ability to continue as a going concern within one year after the date of the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

Exercise professional judgement 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Christian Ministries Inc.'s 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 Lake Christian Ministries Inc.'s 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.

Brockman, Drinkard & Remington

Lynchburg, Virginia
May 2, 2022

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2021

ASSETS

Current Assets:			
Cash	\$	589,903	
Prepaid expenses		5,839	\$ 595,742
<u>Total Current Assets</u>			
Property and Equipment:			
Land	\$	236,078	
Land improvements		16,526	
Building		289,149	
Equipment		104,947	
Vehicles		50,963	
	\$	697,663	
Less accumulated depreciation		204,236	493,427
Other Assets:			
GLCF Investment			50,200
<u>Total Assets</u>			\$ 1,139,369

LIABILITIES AND NET ASSETS

Current Liabilities:			
Payroll taxes payable			\$ 2,398
Net Assets:			
Without donor restrictions	\$	973,131	
With donor restrictions		163,840	1,136,971
<u>Total Liabilities and Net Assets</u>			\$ 1,139,369

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Support, Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
PUBLIC SUPPORT:			
Contributions and grants	\$ 296,151	\$ -	\$ 296,151
Contributions - designated gifts	-	280,194	280,194
Fundraisers (net of \$19,508 expenses)	124,371	-	124,371
<u>Total Public Support</u>	\$ 420,522	\$ 280,194	\$ 700,716
REVENUE:			
Payroll protection loan forgiveness	\$ 17,400	\$ -	\$ 17,400
Interest income	1,276	-	1,276
Realized gains on investments	2,959	-	2,959
Unrealized gain on investments	2,120	-	2,120
	\$ 23,755	\$ -	\$ 23,755
NET ASSETS RELEASED FROM RESTRICTIONS			
	\$ 168,464	\$ (168,464)	\$ -
<u>Total Public Support and Revenue</u>	\$ 612,741	\$ 111,730	\$ 724,471
EXPENSES:			
Program services	\$ 453,577	\$ -	\$ 453,577
Support services:			
Management and general	120,832	-	120,832
Fund raising	1,965	-	1,965
<u>Total Functional Expenses</u>	\$ 576,374	\$ -	\$ 576,374
<u>Changes in Net Assets</u>	\$ 36,368	\$ 111,730	\$ 148,098
NET ASSETS, BEGINNING OF YEAR	936,763	52,110	988,873
NET ASSETS, END OF YEAR	\$ 973,131	\$ 163,840	\$ 1,136,971

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2021

	Program Services	Support Services		Total
		Management and General	Fund Raising	
Salaries	\$ 16,173	\$ 91,650	\$ -	\$ 107,823
Employee Benefits	163	922	-	1,085
Payroll taxes	1,066	6,038	-	7,104
	17,402	98,610	-	116,012
Automobile expense	\$ 8,004	\$ -	\$ -	\$ 8,004
Bank charges	-	884	-	884
Cleaning and maintenance	9,169	1,618	-	10,787
Client aid	340,643	-	-	340,643
Indirect client assistance	2,969	-	-	2,969
Depreciation	26,158	-	-	26,158
Travel, meetings and conferences	59	349	-	408
Insurance	2,512	4,759	-	7,271
Licenses and permits	-	1,010	-	1,010
Office expense	-	1,965	1,965	3,929
Postage and printing	190	1,074	-	1,264
Professional fees	-	4,417	-	4,417
Repairs and maintenance	13,654	2,409	-	16,063
Supplies	4,558	-	-	4,558
Telephone	19,137	2,126	-	21,263
Utilities	9,123	1,610	-	10,733
<u>Total Functional Expenses</u>	<u>\$ 453,577</u>	<u>\$ 120,832</u>	<u>\$ 1,965</u>	<u>\$ 576,374</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2021

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 148,098
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	26,158
Unrealized gains on investments	(2,120)
Changes in assets and liabilities:	
Prepaid expense	(37)
Payroll taxes payable	<u>(798)</u>
 <u>Net Cash from Operating Activities</u>	 <u>\$ 171,301</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	\$ (231,415)
PPP loan forgiveness	(17,400)
Purchase of investments	<u>(3,043)</u>
 <u>Net Cash (used in) Investing Activities</u>	 <u>\$ (251,858)</u>
 NET DECREASE IN CASH	 \$ (80,558)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>670,460</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 589,903</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities -

Lake Christian Ministries, Inc. (the Organization) is a non-profit corporation established to organize, conduct, support and promote benevolent activities to selected residents of the Smith Mountain Lake, Virginia community.

Summary of Significant Accounting Policies -

Other Comprehensive Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Additionally, cash equivalent investments have been marked to market value on the statement of financial position.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Donor Restrictions

Support that is not restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions.

Cash and Equivalents

For purposes of reporting cash flows, the Organization considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash or cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. As such, only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Depreciation

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased assets are recorded at cost. Items costing \$500 or more are capitalized. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the various classes of property and equipment as follows:

Equipment	5-7 Years
Fixtures	15 Years
Building and facilities	39 Years

Expense Allocation

The costs of providing the Organization's community support programs have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the Organization's community support programs and other supporting services benefited.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its day to day operations.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

1. Nature of Organization and Significant Accounting Policies, continued -

Fair Value Measurements -

The FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Forgivable loans - Paycheck Protection Program (PPP):

The Organization's policy is to account for forgivable loans received through the Small Business Administration (SBA) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC 470, Debt, and other related accounting pronouncements). The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the company is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on the extinguishment of debt, and presented in the other income section of the Statement of Support, Revenue, Expenses and Changes in Net Assets.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Statement Presentation

The Organization presents its financial statements in accordance with Accounting Standards Codification. Accordingly, the Organization reports 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.

Net Assets Without Donor Restrictions -

Net assets that are free of donor-imposed restrictions. Revenues, expenses, gains and losses that are not temporarily or permanently restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire during the year in which the contributions are recognized.

Net Assets With Donor Restrictions -

Net assets with donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenue, expenses and change in net assets as " net assets released from restrictions."

Recently Issued Accounting Standards:

FASB ASU 2016-02, Leases (Topic 842)-

This ASU requires that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The FASB has delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Recently Issued Accounting Standards, continued

Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial assets (ASU 2020-07)

Effective in 2022, the amendments in this update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

Revenue Recognition-

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transactions in its statement of activity at December 31, 2021.

Special fundraising event revenue -

The Organization may conduct special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s).

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

2. PROPERTY

Basis and accumulated depreciation by class of property are as follows:

	Basis	Accumulated Depreciation	Book Value
Land	\$ 236,078	\$ -	\$ 236,078
Land improvements	16,526	555	15,971
Building	289,149	66,763	222,386
Equipment & furniture	104,947	97,610	7,337
Vehicles	50,963	39,308	11,655
	\$ 697,663	\$ 204,236	\$ 493,427

3. LIQUIDITY

The Organization's financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of assets, liabilities and net assets date, are as follows:

Cash and cash equivalents	\$ 589,903
Prepaid expenses	5,839
Financial assets, at year end	\$ 595,742
Less those unavailable for expenditure within one due, due to:	
Restricted by donor with time or purpose restrictions	(163,840)
Financial assets available to meet cash needs for general expenditures within one year	\$ 431,902

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

4. GREATER LYNCHBURG COMMUNITY FOUNDATION (GLCF) INVESTMENT

The Organization's has invested in a trust arrangement with the Greater Lynchburg Community Trust. The trust is invested in publically-traded marketable securities. Fair value is determined using quoted market prices on the underlying assets as determined by the Greater Lynchburg Community Trust.

	Cost	Fair Value	Unrealized Appreciation
Fixed investments	\$ 40,762	\$ 50,200	\$ 9,438

Fair value of fixed investments has been determined using Level 1 inputs which are quoted market prices for those investments.

5. SBA PPP NOTE PAYABLE

The Organization received a Payroll Protection Program (PPP) loan from the Small Business Administration (SBA) in April 2020, in the amount of \$17,400. All payments are deferred for sixteen months or until the company receives notification from the SBA as the amount of the loan that is forgiven. Thereafter, monthly payments for principal and interest of \$733 are due, interest at 1% per annum, which approximates the effective interest rate , thorough October, 2023. The loan terms provide that a portion or all of the loan is forgivable to the extent that the Organization uses loan proceeds to fund qualifying payroll, interest, rent and utilities during a designated 24-week period. The Organization submitted a request to the SBA for forgiveness of the entire loan balance of \$17,400. . This loan was forgiven in full by the SBA on March 10, 2021.

6. TAX INFORMATION

The Organization follows professional standards in accounting for income taxes. Under these standards, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of these standards had no impact on the Organization's financial statements. The Organization's income tax filings are subject to audit by various taxing authorities. Open audit periods include its years ending December 31, 2018 through 2021. In evaluating the Organization's revenue sources, Organization management does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2020, there were no interest or penalties recorded in the Organization's financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2021

7. WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose

Capital improvements	\$	51,474
New Tomorrows program		82,797
Children's Christmas		21,944
Children's programs		4,632
Food supplies for pantry		<u>2,993</u>
Total Donor restrictions - Temporary	\$	<u>163,840</u>

8. SUBSEQUENT EVENTS

Management has considered the impact of transactions that have occurred from December 31, 2021 through May 2, 2022, the date the financial statements were available for release. No transactions requiring disclosure have occurred.