

LAKE CHRISTIAN MINISTRIES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018

Independent Auditor's Report

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

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, 2018, 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.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**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.

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, 2018, 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 of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Brockman, Drinkard & Pennington*

Lynchburg, Virginia  
May 20, 2019

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LAKE CHRISTIAN MINISTRIES, INC.  
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
December 31, 2018

ASSETS

Current Assets:

Cash	\$ 211,922	
Cash equivalents	48,941	\$ 260,863
Prepaid expenses		5,334
<u>Total Current Assets</u>		\$ 266,197

Property and Equipment:

Land	\$ 27,000	
Building	272,994	
Equipment	99,613	
Vehicles	49,563	
	\$ 449,170	
Less accumulated depreciation	125,983	323,187

Other Assets:

GLCT Investment		23,720
<u>Total Assets</u>		\$ 613,104

LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll taxes payable		\$ 1,458

Net Assets:

Without donor restrictions	\$ 575,010	
With donor restrictions	36,636	
		611,646
<u>Total Liabilities and Net Assets</u>		\$ 613,104

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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>			
<b>PUBLIC SUPPORT:</b>			
Contributions and grants	\$ 214,124	\$ -	\$ 214,124
Contributions - designated gifts	-	73,849	73,849
Fundraisers (net of \$18,119 expenses)	<u>75,007</u>	<u>-</u>	<u>75,007</u>
<u>Total Public Support</u>	<u>\$ 289,131</u>	<u>\$ 73,849</u>	<u>\$ 362,980</u>
<b>REVENUE:</b>			
Interest income	\$ 1,335	\$ -	\$ 1,335
Realized gains on investments	2,905	-	2,905
Unrealized loss on investments	<u>(4,244)</u>	<u>-</u>	<u>(4,244)</u>
	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ (4)</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
	<u>\$ 48,946</u>	<u>\$ (48,946)</u>	<u>\$ -</u>
<u>Total Public Support and Revenue</u>	<u>\$ 338,073</u>	<u>\$ 24,903</u>	<u>\$ 362,976</u>
<b>EXPENSES:</b>			
Program services	\$ 249,343	\$ -	\$ 249,343
Support services:			
Management and general	61,052	-	61,052
Fund raising	<u>2,322</u>	<u>-</u>	<u>2,322</u>
<u>Total Functional Expenses</u>	<u>\$ 312,717</u>	<u>\$ -</u>	<u>\$ 312,717</u>
<u>Changes in Net Assets</u>	<u>\$ 25,356</u>	<u>\$ 24,903</u>	<u>\$ 50,259</u>
NET ASSETS, BEGINNING OF YEAR	<u>549,654</u>	<u>11,733</u>	<u>561,387</u>
NET ASSETS, END OF YEAR	<u>\$ 575,010</u>	<u>\$ 36,636</u>	<u>\$ 611,646</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.  
Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended December 31, 2018

	Program Services	Support Services		Total
		Management and General	Fund Raising	
Salaries	\$ 7,044	\$ 39,916	\$ -	\$ 46,960
Employee Benefits	31	173	-	204
Payroll taxes	539	3,053	-	3,592
	<u>7,613</u>	<u>43,142</u>	<u>-</u>	<u>50,756</u>
Automobile expense	\$ 6,151	\$ 50	\$ -	\$ 6,201
Bank charges	-	548	-	548
Cleaning and maintenance	10,854	1,812	-	12,666
Client aid	169,652	-	-	169,652
Indirect client assistance	7,607	-	-	7,607
Depreciation	21,857	-	-	21,857
Travel, meetings and conferences	83	744	-	827
Insurance	2,375	3,876	-	6,251
Licenses and permits	-	544	-	544
Office expense	-	2,322	2,322	4,644
Postage and printing	201	1,138	-	1,339
Professional fees	-	3,386	-	3,386
Repairs and maintenance	8,636	1,524	-	10,160
Supplies	1,239	-	-	1,239
Telephone	5,238	582	-	5,820
Utilities	7,837	1,383	-	9,220
<u>Total Functional Expenses</u>	<u>\$ 249,343</u>	<u>\$ 61,052</u>	<u>\$ 2,322</u>	<u>\$ 312,717</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ended December 31, 2018

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CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	\$ 50,259
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	21,857
Unrealized losses on investments	4,244
Changes in assets and liabilities:	
Prepaid expense	(1,289)
Payroll taxes payable	<u>1,456</u>
<u>Net Cash from Operating Activities</u>	<u>\$ 76,527</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of fixed assets	\$ (34,735)
Disposal of fixed assets	960
Purchase of investments	<u>(2,636)</u>
<u>Net Cash (used in) Investing Activities</u>	<u>\$ (36,411)</u>

NET INCREASE IN CASH	\$ 40,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>220,747</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 260,863</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.  
Notes to Financial Statements  
December 31, 2018

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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, 2018

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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, 2018

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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.

LAKE CHRISTIAN MINISTRIES, INC.  
Notes to Financial Statements  
December 31, 2018

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

Financial Statement Presentation

Financial statement presentation follows established professional standards and accounting requirements, that require the Organization 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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions -

Net assets without donor restrictions include resources which represent the portion of funds that are available for the operating objectives of the Organization

Net Assets With Donor Restrictions -

Net assets with donor restrictions consist of donor-related contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as donor restricted revenue, when received, and such unexpended amounts are reported as donor restricted net assets at year end. 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."

2. PROPERTY AND EQUIPMENT

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

	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 27,000	\$ -	\$ 27,000
Building	272,994	44,407	228,587
Equipment and furniture	99,613	65,767	33,846
Vehicles	<u>49,563</u>	<u>15,809</u>	<u>33,754</u>
	<u>\$ 449,170</u>	<u>\$ 125,983</u>	<u>\$ 323,187</u>

LAKE CHRISTIAN MINISTRIES, INC.  
Notes to Financial Statements  
December 31, 2018

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	\$	260,863
Prepaid expenses		<u>5,334</u>
Financial assets, at year end		266,197
Less those unavailable for expenditure within one due, due to:		
Restricted by donor with time or purpose restrictions		<u>(36,636)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>229,561</u>

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.

4. GREATER LYNCHBURG COMMUNITY TRUST (GLCT) 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.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Fixed investments	\$ 26,209	\$ 23,720	\$ (2,489)

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

LAKE CHRISTIAN MINISTRIES, INC.  
Notes to Financial Statements  
December 31, 2018

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5. TAX INFORMATION

The Organization follows professional standards in accounting for income taxes. Under the organization must recognize the tax benefit associated with tax taken for tax return purposes likely than not the position will be sustained. The implementation of these standards has no effect on the Organization's financial statements. The Organization's income tax filings are subject to review by taxing authorities. Open audit periods include its years ending December 31, 2015 and 2016. 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, 2018, there were no interest or penalties accrued on the Organization's financial statements.

6. WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 consisted of purpose restricted assets of \$36,636.

7. SUBSEQUENT EVENTS

Management has considered the impact of transactions that have occurred from December 31, 2018 through May 20, 2019, the date the financial statements were available for release. No transactions or disclosures have occurred.