

LAKE CHRISTIAN MINISTRIES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2020, 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, 2020, 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 8, 2021

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LAKE CHRISTIAN MINISTRIES, INC.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2020

ASSETS

Current Assets:			
Cash	\$	594,233	
Cash equivalents		76,227	
Prepaid expenses		5,802	\$ 676,262
<u>Total Current Assets</u>			
Property and Equipment:			
Land	\$	27,000	
Building		283,338	
Equipment		104,947	
Vehicles		50,963	
	\$	466,248	
Less accumulated depreciation		178,078	288,170
Other Assets:			
GLCF Investment			45,037
<u>Total Assets</u>			\$ 1,009,469

LIABILITIES AND NET ASSETS

Current Liabilities:			
Payroll taxes payable	\$	3,196	
Payroll protection loan		17,400	20,596
Net Assets:			
Without donor restrictions	\$	936,763	
With donor restrictions		52,110	988,873
<u>Total Liabilities and Net Assets</u>			\$ 1,009,469

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
PUBLIC SUPPORT:			
Contributions and grants	\$ 435,097	\$ -	\$ 435,097
Contributions - designated gifts	-	163,221	163,221
Fundraisers (net of \$199,585 expenses)	153,430	-	153,430
<u>Total Public Support</u>	<u>\$ 588,527</u>	<u>\$ 163,221</u>	<u>\$ 751,748</u>
REVENUE:			
Interest income	\$ 3,859	\$ -	\$ 3,859
Realized gains on investments	773	-	773
Unrealized gain on investments	4,810	-	4,810
	<u>\$ 9,442</u>	<u>\$ -</u>	<u>\$ 9,442</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 197,186</u>	<u>\$ (197,186)</u>	<u>\$ -</u>
<u>Total Public Support and Revenue</u>	<u>\$ 795,155</u>	<u>\$ (33,965)</u>	<u>\$ 761,190</u>
EXPENSES:			
Program services	\$ 346,340	\$ -	\$ 346,340
Support services:			
Management and general	111,979	-	111,979
Fund raising	1,427	-	1,427
<u>Total Functional Expenses</u>	<u>\$ 459,746</u>	<u>\$ -</u>	<u>\$ 459,746</u>
<u>Changes in Net Assets</u>	<u>\$ 335,409</u>	<u>\$ (33,965)</u>	<u>\$ 301,444</u>
NET ASSETS, BEGINNING OF YEAR	<u>601,354</u>	<u>86,075</u>	<u>687,429</u>
NET ASSETS, END OF YEAR	<u>\$ 936,763</u>	<u>\$ 52,110</u>	<u>\$ 988,873</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

	Program Services	Support Services		Total
		Management and General	Fund Raising	
Salaries	\$ 14,763	\$ 83,659	\$ -	\$ 98,422
Employee Benefits	154	870	-	1,024
Payroll taxes	1,416	8,023	-	9,439
	<u>16,333</u>	<u>92,552</u>	<u>-</u>	<u>108,885</u>
Automobile expense	\$ 6,034	\$ -	\$ -	\$ 6,034
Bank charges	-	721	-	721
Cleaning and maintenance	11,342	2,001	-	13,343
Client aid	241,240	-	-	241,240
Indirect client assistance	3,436	-	-	3,436
Depreciation	26,233	-	-	26,233
Travel, meetings and conferences	72	653	-	725
Insurance	2,399	4,298	-	6,697
Licenses and permits	-	415	-	415
Office expense	-	1,427	1,427	2,854
Postage and printing	243	1,384	-	1,627
Professional fees	-	3,680	-	3,680
Repairs and maintenance	4,974	878	-	5,852
Supplies	3,180	-	-	3,180
Telephone	22,567	2,507	-	25,074
Utilities	8,288	1,463	-	9,750
<u>Total Functional Expenses</u>	<u>\$ 346,340</u>	<u>\$ 111,979</u>	<u>\$ 1,427</u>	<u>\$ 459,746</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	\$ 301,444
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	26,233
Unrealized gains on investments	(4,810)
Changes in assets and liabilities:	
Prepaid expense	(514)
Payroll taxes payable	<u>731</u>
 <u>Net Cash from Operating Activities</u>	 <u>\$ 323,084</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of fixed assets	\$ (12,235)
PPP note proceeds	17,400
Purchase of investments	<u>(10,744)</u>
 <u>Net Cash (used in) Investing Activities</u>	 <u>\$ (5,579)</u>

NET INCREASE IN CASH	\$ 317,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>352,955</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 670,460</u>

See accompanying notes to financial statements.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2020

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, 2020

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, 2020

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, 2020

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."

Accounting Pronouncements Adopted:

As of January 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. Results for reporting years December 31, 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional.

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2020

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

Accounting Pronouncements Adopted, continued:

ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under FASB 2014-09 (Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the years ended December 31, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to beginning net assets was recorded.

Effective January 1, 2020, the Organization adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or cash equivalents. The Organization has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

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	283,338	58,551	224,787
Equipment and furniture	104,947	87,203	17,744
Vehicles	<u>50,963</u>	<u>32,324</u>	<u>18,639</u>
	<u>\$ 466,248</u>	<u>\$ 178,078</u>	<u>\$ 288,170</u>

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2020

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	\$	670,460
Prepaid expenses		<u>5,802</u>
Financial assets, at year end	\$	676,262
Less those unavailable for expenditure within one due, due to:		
Restricted by donor with time or purpose restrictions		<u>(52,110)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>624,152</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 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.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Fixed investments	\$ 37,725	\$ 45,037	\$ 7,312

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, 2020

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. Of the balance outstanding at December 31, 2020, \$8,714 is due in the next twelve months with the balance the following year. 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, 2017 through 2020. 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.

7. WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose

Dental	\$	18,319
New Tomorrows program		13,695
Children's Christmas		16,783
Children's programs		<u>3,313</u>
Total Donor restrictions - Temporary	\$	<u>52,110</u>

LAKE CHRISTIAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2020

8. SUBSEQUENT EVENTS

Management has considered the impact of transactions that have occurred from December 31, 2020 through May 8, 2021, the date the financial statements were available for release. No transactions requiring disclosure have occurred.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. In March 2020, the World Health Organization characterized the COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include a reduction in contribution receipts and the ability to hold fundraising events in person. The future effects of these issues are unknown.