

LEBANON COUNTY CHRISTIAN MINISTRIES

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

LEBANON COUNTY CHRISTIAN MINISTRIES
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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Matthew P. Garman, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lebanon County Christian Ministries
Lebanon, Pennsylvania

We have audited the accompanying financial statements of Lebanon County Christian Ministries (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audit. 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 audits 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 qualified opinion.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Organization has not recorded donated food and clothing in the financial statements. Accounting principles generally accepted in the United States of America require donated food and clothing to be recorded at their fair value at the date of receipt. The effects on the accompanying financial statements of the failure to record donated food and clothing have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Lebanon County Christian Ministries as of June 30, 2021 and 2020, 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.

Garcia Garman & Shea, PC

Lebanon, Pennsylvania
February 22, 2022

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 754,738	\$ 428,586
Investments	338,994	305,107
Accounts receivable	85,263	34,085
Pledges receivable, net of allowance of \$0 and \$0	25,578	35,003
Prepaid expense	4,143	5,087
Inventory - State Food	64,068	30,421
Gift Cards	50,395	18,751
	1,323,179	857,040
PROPERTY AND EQUIPMENT		
Land	20,000	20,000
Building and improvements	1,023,845	1,007,613
Equipment	231,714	212,235
Vehicles	93,331	60,769
Accumulated depreciation	(786,310)	(722,729)
	582,580	577,888
OTHER ASSETS		
Pledges receivable, net of current portion	13,440	26,160
Cash and cash equivalents, permanently restricted	7,638	7,042
Investments, permanently restricted	106,667	93,097
	127,745	126,299
Total other assets	127,745	126,299
Total assets	\$ 2,033,504	\$ 1,561,227

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FINANCIAL POSITION *(continued)*
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	30,737	\$	24,270
Accrued payroll and payroll taxes		13,963		15,641
Deferred revenue		-		14,945
				14,945
Total current liabilities		44,700		54,856
				54,856

LONG-TERM LIABILITIES

Paycheck Protection Program loan		-		70,900
				70,900
Total liabilities		44,700		125,756
				125,756

NET ASSETS

Without donor restrictions		1,519,217		1,184,254
With donor restrictions		469,587		251,217
				251,217
Total net assets		1,988,804		1,435,471
				1,435,471
Total liabilities and net assets		\$ 2,033,504		\$ 1,561,227
				1,561,227

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 1,042,338	\$ 544,733
In-kind contributions	728,571	682,188
Annual financial commitment	43,280	41,589
Program income	6,516	100
PPP loan forgiveness	70,900	-
Fundraising	84,632	44,577
Government grants	79,643	117,292
United Way contributions	29,370	44,096
UGI and LISHP	11,545	5,854
Investment income (net)	20,432	10,316
Unrealized gain (loss) on investments	53,257	7,165
Net assets released from restrictions satisfied by purpose	80,586	244,031
	2,251,070	1,741,941
 EXPENSES		
Program service	1,664,405	1,382,226
Management and general	170,697	148,653
Fundraising	81,005	62,676
	1,916,107	1,593,555
Change in net assets without donor restrictions	334,963	148,386
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	298,956	188,928
Net assets released from restrictions satisfied by purpose	(80,586)	(244,031)
	218,370	(55,103)
Change in net assets	553,333	93,283
Net assets, beginning	1,435,471	1,342,188
Net assets, ending	\$ 1,988,804	\$ 1,435,471

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Client services				
Donated food and clothing distributed	\$ 676,835	\$ -	\$ -	\$ 676,835
Purchased food distributed	251,207	-	-	251,207
Utilities	33,391	-	-	33,391
Transportation	32	-	-	32
Prescription drugs	12	-	-	12
Emergency shelter	208,226	-	-	208,226
Other client services	576	-	-	576
Salaries and benefits				
Salaries	208,858	111,631	39,611	360,100
Health insurance	25,154	11,959	4,124	41,237
Other employee benefits	8,717	4,144	1,429	14,290
Payroll taxes	16,781	7,978	2,751	27,510
Accounting	-	15,835	-	15,835
Depreciation	57,223	3,179	3,179	63,581
Utilities	35,480	1,120	747	37,347
Interest	127	7	7	141
Insurance	18,431	1,024	1,024	20,479
Repairs and maintenance	25,276	1,330	-	26,606
Equipment maintenance	11,045	614	614	12,273
Information technology	6,533	363	363	7,259
Office supplies	10,429	579	579	11,587
Operating supplies	48,067	-	-	48,067
Vehicle expense	8,030	-	-	8,030
Training, dues and fees	-	3,946	-	3,946
Postage and delivery	1,460	731	731	2,922
Fundraising	-	-	19,524	19,524
Advertising and newsletter	12,515	6,257	6,257	25,029
Volunteer and donor appreciation	-	-	65	65
Total expenses	\$ 1,664,405	\$ 170,697	\$ 81,005	\$ 1,916,107

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES *(continued)*
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Client services				
Donated food and clothing distributed	\$ 657,002	\$ -	\$ -	\$ 657,002
Purchased food distributed	200,739	-	-	200,739
Utilities	13,296	-	-	13,296
Transportation	1,101	-	-	1,101
Prescription drugs	658	-	-	658
Emergency shelter	37,413	-	-	37,413
Other client services	1,920	-	-	1,920
Salaries and benefits				
Salaries	206,147	98,005	33,795	337,947
Health insurance	19,206	9,131	3,149	31,486
Other employee benefits	2,911	1,384	477	4,772
Payroll taxes	15,523	7,380	2,545	25,448
Accounting	-	16,145	-	16,145
Depreciation	56,882	3,160	3,160	63,202
Utilities	37,002	1,169	779	38,950
Interest	-	-	-	-
Insurance	15,294	850	850	16,994
Repairs and maintenance	41,448	2,182	-	43,630
Equipment maintenance	10,426	579	579	11,584
Information technology	5,870	326	326	6,522
Office supplies	7,095	394	394	7,883
Operating supplies	29,727	-	-	29,727
Vehicle expense	11,283	-	-	11,283
Training, dues and fees	-	2,306	-	2,306
Postage and delivery	1,137	569	569	2,275
Fundraising	-	-	9,555	9,555
Advertising and newsletter	10,146	5,073	5,073	20,292
Volunteer and donor appreciation	-	-	1,425	1,425
Total expenses	\$ 1,382,226	\$ 148,653	\$ 62,676	\$ 1,593,555

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 553,333	\$ 93,283
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	63,581	63,202
Unrealized (gain) loss on investments	(53,257)	(7,165)
PPP loan forgiveness	(70,900)	-
(Increase) decrease in		
Accounts receivable	(51,178)	(27,675)
Pledges receivable	22,145	38,655
Prepaid expense	944	(1,740)
Inventory and gift cards	(65,291)	27,112
Increase (decrease) in		
Accounts payable	6,467	(70,242)
Accrued payroll and payroll taxes	(1,678)	6,873
Deferred revenue	(14,945)	14,945
	389,221	137,248
Net cash provided by operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	70,900
	-	70,900
Net cash provided by financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	23,688	85,000
Purchase of investments	(17,888)	(53,457)
Purchase of property and equipment	(68,273)	(21,357)
	(62,473)	10,186
Net cash (used in) provided by investing activities		
Increase in cash and cash equivalents	326,748	218,334
Cash and cash equivalents, beginning	435,628	217,294
Cash and cash equivalents, ending	\$ 762,376	\$ 435,628

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was \$141 and \$0 during the years ended June 30, 2021 and 2020, respectively.

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lebanon County Christian Ministries, (the Organization), was formed in 1982 and incorporated in 1991. The Ministry's mission is to share the love of Jesus by providing emergency food, clothing, shelter, and guidance toward personal sustainability.

The following is a summary of the Organization's program services which it provides to the community:

Program Services

Food Bank – The food bank acquires, and warehouses food and toiletries made available through donations and the purchase of food. The food bank provides food and toiletries to pantries for the distribution to individuals needing food assistance.

Food Pantry – The food pantry works with individuals in the community who are seeking the assistance of food due to food insecurity or needing emergency food. The pantry volunteers prepare food orders for distribution and items are distributed to those seeking assistance.

Emergency Shelter – Fresh start emergency shelter and resource center provides homeless families and individuals the resource and training needed to empower personal sustainability while providing a safe place to sleep during the night. The resource center serves as a "home base" for the guests. It is where guests can prepare and cook meals, take showers, wash clothing, and receive the support they need to regain independence.

In March of 2020, guests were housed in a hotel as a response to reducing the impact of COVID-19 on the shelter operations. This caused a significant financial burden on LCCM. Numerous grants were received to support the cost of hotels. One large grant is the Emergency Solutions Grant through the Department of Economic Development. LCCM is the sub-recipient with the County of Lebanon serving as the recipient. It is expected that over \$250,000 will be received to cover hotel expense and operations, that span over two fiscal years (2020/2021 and 2021/2022).

Lunch Programs – Free Noon Meal – A free lunch is served, seven days a week, at a city location. No prequalification is required to attend the free meals.

Clothing – Provides clothing to individuals seeking clothing assistance, at no cost. All items are donated and provided through shopping with a volunteer experience.

Other client services – Supplying emergency assistance to people, including the cost of medical, utilities, transportation, clothing and household items.

Emergency Rental Assistance Program (ERAP) – the County of Lebanon Community Action Partnership serves as the fiduciary of the ERAP program. This program is a federal program to combat the negative financial impact of those who faced a COVID related loss or reduction of income. The program supports rental assistance and utilities. LCCM supported this program by contracting to provide the processing of checks to pay for utility assistance. LCCM was reimbursed for administration expenses and reimbursed for utility bills paid. This resulted in an unusually high accounts receivable in this year's annual financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Support Services

Management and General – Deals with the day-to-day administrative operations of the Organization.

Fundraising – Conducts annual appeals and fundraising events in order to raise necessary funds to help support services of the Organization.

The Lenten Breakfast, Golf Tournament, Box City and Benefit Dinner are annual events that foster fellowship with the Christian community as well as raise funds and awareness for the Ministry's programs.

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures are incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid instruments purchased with a maturity of three months or less at the time of acquisition, including all no-penalty certificates of deposit, to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts receivable from government agencies, grantors and endowments. Management has considered balances to be collectible and therefore, no allowance for doubtful accounts has been established.

Prepaid Expenses

Prepaid expenses are comprised of amounts prepaid on insurance policies and fundraising activities.

Inventories

Inventories of food purchased with Pennsylvania State Food Purchase Program funds held for distribution at year end are recorded at cost. This amount is restricted until distributed in accordance with the program guidelines. Inventories of donated food, clothing and miscellaneous items, other than gift cards, are not recorded and are not a part of these financial statements.

Property and Equipment

Property and equipment are stated at cost or fair market value, if donated. The Organization's policy is to capitalize assets with a useful life greater than one year and an original cost of \$1,000 or greater. Depreciation is provided using primarily the straight-line method over the following estimated useful lives of the assets:

Building and Improvements	15 – 25 years
Equipment	3 – 7 years
Vehicles	5 years

Deferred Revenue

Deferred revenue consists of amounts received for fundraisers that were postponed due to restrictions related to COVID-19.

Concentration of Risk

The Organization maintains its cash accounts in commercial financial institutions. The cash balances in each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has accounts at financial institutions that from time to time may exceed the insurance obtained through FDIC.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Services

Donated services vary and range from the limited participation of many individuals in fundraising activities to active participation in the Organization’s service programs. In accordance with requirements of FASB ASC 958-605-25-16 (formerly Statement No. 116, *Accounting for Contributions Received and Contributions Made*), only amounts meeting the requisite specialized skills have been reflected in the financial statements.

The Organization benefited from in-kind donations of the following as of June 30:

	2021	2020
Food	\$ 655,464	\$ 616,049
Clothing	21,371	40,953
Gift cards	50,670	22,759
Other goods	1,066	2,427
Total In-kind contributions	\$ 728,571	\$ 682,188

Advertising Expense

The Organization follows the policy of charging the costs of non-direct response advertising to expense as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$1,653 and \$3,216, respectively.

Income Taxes

The Organization is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is made in the financial statements. The Financial Accounting Standards Board (FASB) issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax return. The Organization believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are broken into three categories, program services, management and general, and fundraising. They include all expenses which range from employee salaries and benefits, general office supplies and expense to professional fees and depreciation. Depreciation and utilities are allocated based on square footage, salaries, benefits and payroll taxes are allocated based on estimates of time and effort, all other expenses are allocated based on estimates of actual spending.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recent Accounting Guidance

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 754,738	\$ 428,586
Investments	338,994	305,107
Accounts receivable	85,263	34,085
Pledges receivable	25,578	35,003
	\$ 1,204,573	\$ 802,781

As part of its liquidity management, the Organization has a goal to maintain financial assets on hand in a checking account to meet 60 days of normal operating expenses, which would approximate \$196,000 and \$146,000 as of June 30, 2021 and 2020, respectively. The Organization’s goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. A short-term reserve will hold cash equivalent to four months of expenses as well as funds earmarked for specific purposes. A long-term investment account will hold funds not needed for immediate day-to-day expenses. The Organization has a \$200,000 line of credit available to assist with liquidity management. The board of directors may also release a portion of unrestricted investments if there is a liquidity need.

LEBANON COUNTY CHRISTIAN MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

NOTE 3 – INVESTMENTS

Investments are stated at fair value and are summarized as follows:

June 30, 2021	Cost	Fair Value
Bond mutual funds		
US Gvt and Agency obligations	\$ 76,044	\$ 73,969
Other obligations	340,196	369,798
Stock mutual funds	2,029	1,894
	<u>\$ 418,269</u>	<u>\$ 445,661</u>
June 30, 2020	Cost	Fair Value
Bond mutual funds		
US Gvt and Agency obligations	\$ 69,757	\$ 72,134
Other obligations	216,752	227,976
Stock mutual funds	87,220	98,094
	<u>\$ 373,729</u>	<u>\$ 398,204</u>

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable in more than one year are discounted at 4.00%. The amount of pledges receivable consists of the following as of June 30:

Pledge Receivable - Capital Campaign	2021	2020
Receivable in less than one year	\$ 25,578	\$ 35,003
Receivable in one to five years	14,000	27,250
	39,578	62,253
Less discounts to net present value	(560)	(1,090)
Less allowance for uncollectible pledges	-	-
	<u>\$ 39,018</u>	<u>\$ 61,163</u>
Total pledges receivable		

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – FAIR VALUE MEASUREMENT

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy under FASB ASC820-10 categorizes the inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of the Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Organization has no Level 2 or 3 investments.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – FAIR VALUE MEASUREMENT *(continued)*

The following table presents assets measured at fair value on a recurring basis as of June 30:

June 30, 2021	Total	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual funds				
US Gvt and Agency obligations	\$ 73,969	\$ 73,969	\$ -	\$ -
Other obligations	369,798	369,798	-	-
Stock mutual funds	1,894	1,894	-	-
Total investments at fair value	\$ 445,661	\$ 445,661	\$ -	\$ -

June 30, 2020	Total	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual funds				
US Gvt and Agency obligations	\$ 72,134	\$ 72,134	\$ -	\$ -
Other obligations	227,976	227,976	-	-
Stock mutual funds	98,094	98,094	-	-
Total investments at fair value	\$ 398,204	\$ 398,204	\$ -	\$ -

NOTE 6 – ENDOWMENT FUND

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – ENDOWMENT FUND *(continued)*

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in Endowment Net Assets for the years ended June 30, are as follows:

Year ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 315,435	\$ 100,138	\$ 415,573
Interest and dividends	17,173	5,138	22,311
Fees	(1,376)	(506)	(1,882)
Realized and unrealized gain (loss)	21,117	8,546	29,663
Contributions	22,688	988	23,676
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, ending	<u>\$ 375,037</u>	<u>\$ 114,304</u>	<u>\$ 489,341</u>

Year ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 343,449	\$ 127,374	\$ 470,823
Interest and dividends	11,145	4,052	15,197
Fees	(3,652)	(1,311)	(4,963)
Realized and unrealized gain (loss)	4,372	2,792	7,164
Contributions	12,352	-	12,352
Appropriation of endowment assets for expenditures	(52,231)	(32,769)	(85,000)
Endowment net assets, ending	<u>\$ 315,435</u>	<u>\$ 100,138</u>	<u>\$ 415,573</u>

LEBANON COUNTY CHRISTIAN MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

NOTE 6 – ENDOWMENT FUND *(continued)*

Investment and Spending Policies

The Organization has implemented a “total return” policy as the preferred method to distribute money from their investment funds. The total return policy (TRP) includes such items as the capital appreciation/depreciation, income earned, and dividends received through investments and holdings. To determine the annual draw amount, a rolling three-year average is calculated and a spending rule (a percentage to withdraw that may not exceed 5.00%) is applied. The rolling three-year average process and the restriction of the draw percentage maintains the spending power of the investment funds. Additionally, funds may not be distributed from either investment account that would reduce the actual account balance below that of the account’s designated Minimum Account Balance.

	Non-Restricted	Restricted
Minimum Account Balance	\$ 150,000 **	\$ 100,000

**Non-restricted minimum balance to be adjusted on an ongoing basis to reflect funds that are donated or raised for specific future capital improvements. Distributions to be made in April/May of each year if needed for cash flow and/or budgetary balancing purposes.

NOTE 7 – LINE OF CREDIT

The Company has a \$200,000 collateralized revolving line of credit with Fulton Bank. At June 30, 2021 and 2020, the credit available was \$200,000, respectively. Interest on any outstanding balances is calculated each month at a rate per annum equal to the variable rate of the Bank’s prime rate of interest.

NOTE 8 – LEASES

In July 2020, the Organization entered into a capital lease to acquire a dishwasher. The lease calls for 36 payments of \$78.06 representing principal and interest. Total implied interest on the lease is \$460.16. Due to the relative materiality of the lease, the liability is included in accounts payable on the balance sheet.

Future minimum lease payments are as follows:

Years Ending December 31,	
2022	\$ 937
2023	937
2024	78
Total minimum lease payment	\$ 1,952
Less amount representing interest	(319)
Capital lease obligation	\$ 1,633

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – LEASES *(continued)*

Leased property under capital leases at December 31 includes the following:

	2021	2020
Dishwasher	\$ 3,743	\$ -
Less accumulated depreciation	(535)	-
	\$ 3,208	\$ -

NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP) REVENUE

In April 2020, the Organization obtained a Paycheck Protection Program loan totaling \$70,900. The loan accrues interest at 1% and matures in April 2022. The loan is eligible for either full or partial forgiveness. The portion of the loan that is used to cover certain qualified expenses as directed by the Small Business Administration rules under the CARES Act over the 24-week period directly following loan disbursement (“covered period”) is eligible to be forgiven, including accrued interest.

The Organization applied for, and in January 2021, received notice of full loan forgiveness. As a result, and in accordance with CARES Act reporting requirements, the proceeds are included in “PPP loan forgiveness” in the Statement of Activities.

NOTE 10 – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
State food purchase program	\$ 64,068	\$ 30,421
Operation share	8,959	7,770
Capital campaign	296,560	113,026
Subtotal	369,587	151,217
Subject to Organization's spending policy and appropriation:		
Bequest	100,000	100,000
Total net assets with donor restrictions	\$ 469,587	\$ 251,217

The Organization received a bequest in 1997; the income is to be used to benefit the poor, needy, hungry, homeless and those who are poverty-stricken with nowhere else to turn. The initial sum of \$100,000 is invested and is considered to be invested in perpetuity. The income earned on the initial amount is considered available to use for normal operating expenses since the specific purpose matches the mission of the Organization.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLAN

The Organization participates in a defined contribution plan that contains a 403(b) elective deferral provision. The Organization contributes 3% of eligible compensation into the plan. The 403(b) elective deferral provision allows participants to make additional contributions to the plan. The total expense related to the plan for the years ended June 30, 2021 and 2020 totaled \$13,834 and \$4,072, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

In June 2021, the Organization transferred all investment assets to Charles Schwab accounts at a financial group owned by a board member. The board member agreed not to take any commission, fees or other compensation on the Organization's investments. The board member subsequently resigned his position on the board in the 2022 fiscal year.

NOTE 13 – COVID -19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern." On March 11, 2020, COVID-19 was declared to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. In addition, the outbreak is disrupting certain supply chains. At this point, the extent to which COVID-19 may impact the Organization's financial conditions or results is unknown.

NOTE 14 – SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 22, 2022, the date of this report, which is the date the financial statements were available to be issued.