

LEBANON COUNTY CHRISTIAN MINISTRIES

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

LEBANON COUNTY CHRISTIAN MINISTRIES
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lebanon County Christian Ministries
Lebanon, Pennsylvania

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows 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 financial position of Lebanon County Christian Ministries as of June 30, 2023, and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lebanon County Christian Ministries 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Lebanon County Christian Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 judgment 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 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lebanon County Christian Ministries' 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 Lebanon County Christian Ministries' 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.

Garcia Garman & Shea, PC

Lebanon, Pennsylvania
April 1, 2024

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>ASSETS</u>	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 241,418	\$ 623,727
Investments	1,464,459	926,168
Accounts receivable	44,943	19,895
Pledges receivable	7,000	10,900
Inventory - State food	20,003	46,523
Inventory - Food	30,660	55,798
Inventory - Clothing and household items	173,479	176,463
Gift cards	45,896	65,728
Prepaid expense	4,714	11,814
	2,032,572	1,937,016
PROPERTY AND EQUIPMENT		
Land	20,000	20,000
Building and improvements	1,023,845	1,023,845
Equipment	248,366	248,366
Vehicles	93,331	93,331
Accumulated depreciation	(908,147)	(849,058)
	477,395	536,484
OTHER ASSETS		
Pledges receivable, net of current portion and \$200 discount	-	4,800
Cash and cash equivalents, permanently restricted	15,768	11,264
Investments, permanently restricted	75,248	74,492
Operating right-of-use asset	9,517	-
	100,533	90,556
Total assets	\$ 2,610,500	\$ 2,564,056

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FINANCIAL POSITION *(continued)*
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Current portion of operating lease liability	\$ 2,683	\$ -
Accounts payable	18,489	8,574
Accrued payroll and payroll taxes	8,948	6,903
	<hr/>	<hr/>
Total current liabilities	30,120	15,477
	<hr/>	<hr/>
LONG-TERM DEBT		
Operating lease liability	6,834	-
	<hr/>	<hr/>
Total long-term liabilities	6,834	-
	<hr/>	<hr/>
Total liabilities	36,954	15,477
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions	2,243,037	2,096,169
With donor restrictions	330,509	452,410
	<hr/>	<hr/>
Total net assets	2,573,546	2,548,579
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,610,500</u>	<u>\$ 2,564,056</u>

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Contributions of cash and other financial assets	\$ 1,008,336	\$ 966,689
Contributions of nonfinancial assets	965,491	791,705
Annual financial commitment	50,787	56,587
Program income	-	25,098
Fundraising	96,791	76,018
Government grants	92,852	40,079
United Way contributions	58,122	28,368
UGI and LISHP	15,381	12,839
Investment income (net)	46,562	11,929
Realized / Unrealized gain (loss) on investments	(11,716)	(56,923)
Miscellaneous income	1,036	-
Legacies and bequests	-	90,386
Net assets released from restrictions satisfied by purpose	326,261	220,902
	2,649,903	2,263,677
EXPENSES		
Program service	2,262,359	1,679,608
Management and general	135,795	160,765
Fundraising	104,881	78,613
	2,503,035	1,918,986
Change in net assets without donor restrictions	146,868	344,691
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	204,360	203,725
Net assets released from restrictions satisfied by purpose	(326,261)	(220,902)
	(121,901)	(17,177)
Change in net assets	24,967	327,514
Net assets, beginning	2,548,579	1,988,804
Inventory adjustment recorded in current year	-	232,261
Net assets, ending	\$ 2,573,546	\$ 2,548,579

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program	General and	Fundraising	Total
EXPENSES				
Client services				
Donated food and clothing distributed	\$ 964,800	\$ -	\$ -	\$ 964,800
Purchased food distributed	340,302	-	-	340,302
Utilities	112,773	-	-	112,773
Transportation	211	-	-	211
Emergency shelter	115,288	-	-	115,288
Other client services	41,970	-	-	41,970
Salaries and benefits				
Salaries	349,197	77,600	58,200	484,997
Health insurance	27,762	6,169	4,627	38,558
Other employee benefits	13,338	2,964	2,223	18,525
Payroll taxes	26,714	5,936	4,452	37,102
Accounting	-	17,142	-	17,142
Depreciation	53,181	2,954	2,954	59,089
Utilities	41,251	1,303	868	43,422
Interest	137	8	8	153
Insurance	21,223	1,179	1,179	23,581
Repairs and maintenance	69,180	3,641	-	72,821
Equipment maintenance	12,340	686	686	13,712
Information technology	10,906	606	606	12,118
Office supplies	10,371	576	576	11,523
Printing	-	-	-	-
Operating supplies	26,474	-	-	26,474
Vehicle expense	9,912	-	-	9,912
Training, dues and fees	-	7,516	-	7,516
Postage and delivery	1,863	932	932	3,727
Fundraising	-	-	20,886	20,886
Advertising and newsletter	13,166	6,583	6,583	26,332
Volunteer and donor appreciation	-	-	101	101
Total expenses	<u>\$ 2,262,359</u>	<u>\$ 135,795</u>	<u>\$ 104,881</u>	<u>\$ 2,503,035</u>

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES *(continued)*
FOR THE YEAR ENDED JUNE 30, 2022

	Program	General and	Fundraising	Total
EXPENSES				
Client services				
Donated food and clothing distributed	\$ 747,841	\$ -	\$ -	\$ 747,841
Purchased food distributed	214,827	-	-	214,827
Utilities	36,010	-	-	36,010
Transportation	421	-	-	421
Emergency shelter	142,859	-	-	142,859
Other client services	1,336	-	-	1,336
Salaries and benefits				
Salaries	239,760	102,754	38,057	380,571
Health insurance	15,457	8,261	2,931	26,649
Other employee benefits	9,162	4,896	1,737	15,795
Payroll taxes	17,229	9,209	3,268	29,706
Accounting	-	17,691	-	17,691
Depreciation	56,474	3,137	3,137	62,748
Utilities	36,303	1,146	764	38,213
Interest	137	8	8	153
Insurance	17,494	972	972	19,438
Repairs and maintenance	39,278	2,067	-	41,345
Equipment maintenance	12,058	670	670	13,398
Information technology	7,024	390	390	7,804
Office supplies	5,505	306	306	6,117
Operating supplies	60,711	-	-	60,711
Printing	270	-	-	270
Vehicle expense	8,758	-	-	8,758
Training, dues and fees	-	3,910	-	3,910
Postage and delivery	1,685	843	843	3,371
Fundraising	-	-	20,608	20,608
Advertising and newsletter	9,009	4,505	4,505	18,019
Volunteer and donor appreciation	-	-	417	417
Total expenses	<u>\$ 1,679,608</u>	<u>\$ 160,765</u>	<u>\$ 78,613</u>	<u>\$ 1,918,986</u>

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,967	\$ 327,514
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	59,089	62,748
Realized / Unrealized (gain) loss on investments	11,716	56,923
(Increase) decrease in		
Accounts receivable	(25,048)	65,368
Pledges receivable	8,700	23,318
Prepaid expense	7,100	(7,671)
Inventory and gift cards	74,474	2,212
Increase (decrease) in		
Accounts payable	9,915	(22,163)
Accrued payroll and payroll taxes	2,045	(7,060)
	172,958	501,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,077,329	843,629
Purchase of investments	(1,628,092)	(1,455,551)
Purchase of property and equipment	-	(16,652)
	(550,763)	(628,574)
Net cash (used in) provided by investing activities	(550,763)	(628,574)
Decrease in cash and cash equivalents	\$ (377,805)	\$ (127,385)
Cash and cash equivalents, beginning	634,991	762,376
Cash and cash equivalents, ending	\$ 257,186	\$ 634,991

The following table provides a reconciliation of cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash	\$ 241,418	\$ 623,727
Cash, restricted	15,768	11,264
	\$ 257,186	\$ 634,991
Cash and cash equivalents, ending	\$ 257,186	\$ 634,991

Amounts included in restricted cash represent endowment assets with donor restrictions.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During both June 30, 2023 and 2022, cash paid for interest was \$153.

See accompanying notes to financial statements.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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 water and sewer shut off notice payment, electric support, as grant funds permit, heating oil, and support with the UGI Community Assistance Program.

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. The Organization supported this program by contracting to provide the processing of checks to pay for utility assistance. The Organization was reimbursed for administration expenses and reimbursed for utility bills paid. This program ended in March of 2022 and all open accounts receivable were satisfied by June 30, 2022.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, Hurdles to Housing, 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, 2023 AND 2022

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.

The Organization accepts contributions of clothing and household items for distribution to individuals in the community. Donated food is also received by the Organization and distributed through the Food Bank and Food Pantry.

Change in Accounting Principle

During the fiscal year ended June 30, 2022, the Organization began recording the inventory value of donated food, clothing and household items. This change was made primarily to provide the Organization with better information to manage its operations and to bring the Organization in compliance with generally accepted accounting principles for recording inventory.

The cumulative effect of this change in accounting principle is to increase inventory by the estimated fair value of \$176,463 for clothing and household items and \$55,798 for food. Beginning net assets were adjusted by the total of \$232,261.

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

LEBANON COUNTY CHRISTIAN MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

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

Leases

The Organization adopted ASC 842, *Leases*, effective July 1, 2022 and elected transition relief that allows entities, in the period of adoption, to present the current period under ASC 842 and the comparative period under ASC 840 (an amendment in ASU No. 2018-11, *Leases: Targeted Improvements* [FASB ASC 842-10-65-1c]).

The Organization determines if an arrangement is a lease at inception. All leases are recorded on the balance sheet except for leases with an initial term less than 12 months for which the Organization made the short-term lease election. Operating lease right-of-use assets (ROU) and lease liabilities are recognized over the lease commencement date based on the present value of the lease payments over the lease term and discounted using the Organization’s incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term and is included in Equipment maintenance in the Statements of Functional Expenses.

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.

Contributed Nonfinancial Assets

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.

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

	2023	2022
Food	\$ 911,457	\$ 715,968
Clothing	53,343	31,873
Gift cards	691	43,198
Other goods	-	666
	\$ 965,491	\$ 791,705

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Contributed food was utilized in the following programs: Food Bank, Food Pantry, and Lunch Programs. Clothing was utilized in program services, provided to individuals at no cost. Gift cards are utilized for program expenses to supplement the Food Bank, Food Pantry and Lunch Programs as needed, or to purchase gas for vehicles used for delivery vehicles. Other goods represent the cost of donated services for repairs and maintenance on the building. The contributed nonfinancial assets did not have donor-imposed restrictions.

In valuing clothing, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed food is valued utilizing the Feeding America published average price per pound. Gift cards are valued at face value. Contributed services are reported at the estimated fair value in the financial statements based on current rates for similar services offered by the contributor.

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, 2023 and 2022 were \$7,151 and \$717, respectively. It is included in advertising and newsletter on the statement of functional expenses.

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, general and administrative, 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.

Recent Accounting Standards

The Organization adopted ASC 842, *Leases*, effective July 1, 2022. This standard requires lessees to recognize leases on the balance sheet as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Organization elected to use practical expedients, including but not limited to, not reassessing past lease accounting, and not recording assets or liabilities for leases with terms of one year or less.

Upon adoption, the Organization recognized operating ROU assets and liabilities of \$12,101.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

	2023	2022
Cash and cash equivalents	\$ 241,418	\$ 623,727
Investments	1,464,459	926,168
Accounts receivable	44,943	19,895
Pledges receivable	7,000	10,900
	\$ 1,757,820	\$ 1,580,690

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 \$170,000 and \$120,000 as of June 30, 2023 and 2022, 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 holds cash equivalent to four months of expenses as well as funds earmarked for specific purposes. A long-term investment account holds 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.

NOTE 3 – INVESTMENTS

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

June 30, 2023	Cost	Fair Value
Bond mutual funds	\$ 18,094	\$ 18,285
Equity mutual funds	-	-
Exchange traded funds	1,357,402	1,352,632
U.S. Treasuries	98,169	98,861
Equities	59,956	69,929
	\$ 1,533,621	\$ 1,539,707
June 30, 2022	Cost	Fair Value
Bond mutual funds	\$ 11,242	\$ 10,026
Equity mutual funds	67,680	65,353
Exchange traded funds	903,660	877,667
U.S. Treasuries	-	-
Equities	55,114	47,614
	\$ 1,037,696	\$ 1,000,660

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – INVESTMENTS *(continued)*

Investment return is classified as without donor restrictions in the activities statement:

	2023	2022
Interest and dividends	\$ 46,562	\$ 11,929
Realized / Unrealized gain (loss)	(11,716)	(56,923)
Fees	-	-
	\$ 34,846	\$ (44,994)

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	2023	2022
Receivable in less than one year	\$ 7,000	\$ 10,900
Receivable in one to five years	-	5,000
	7,000	15,900
Less discounts to net present value	-	(200)
Less allowance for uncollectible pledges	-	-
	\$ 7,000	\$ 15,700

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.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – FAIR VALUE MEASUREMENT *(continued)*

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.

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.

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

		<u>Fair Value Measurement at Report Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023	Total			
Bond mutual funds	\$ 18,285	\$ 18,285	\$ -	\$ -
Equity mutual funds	-	-	-	-
Exchange traded funds	1,352,632	1,352,632	-	-
U.S. Treasuries	98,861	98,861	-	-
Equities	69,929	69,929	-	-
Total investments at fair value	<u>\$ 1,539,707</u>	<u>\$ 1,539,707</u>	<u>\$ -</u>	<u>\$ -</u>

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – FAIR VALUE MEASUREMENT *(continued)*

June 30, 2022	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	\$ 10,026	\$ 10,026	\$ -	\$ -
Equity mutual funds	65,353	65,353	-	-
Exchange traded funds	877,667	877,667	-	-
U.S. Treasuries	-	-	-	-
Equities	47,614	47,614	-	-
Total investments at fair value	<u>\$ 1,000,660</u>	<u>\$ 1,000,660</u>	<u>\$ -</u>	<u>\$ -</u>

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.

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.

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – ENDOWMENT FUND *(continued)*

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

Year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 1,392,885	\$ 85,755	\$ 1,478,640
Interest and dividends	46,039	2,259	48,298
Fees	-	-	-
Realized and unrealized gain (loss)	(16,537)	3,003	(13,534)
Contributions	190,087	-	190,087
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, ending	<u>\$ 1,612,474</u>	<u>\$ 91,017</u>	<u>\$ 1,703,491</u>
Year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 375,037	\$ 114,305	\$ 489,342
Interest and dividends	(1,066)	(6,992)	(8,058)
Fees	-	-	-
Realized and unrealized gain (loss)	(22,550)	(21,558)	(44,108)
Contributions	1,041,464	-	1,041,464
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, ending	<u>\$ 1,392,885</u>	<u>\$ 85,755</u>	<u>\$ 1,478,640</u>

LEBANON COUNTY CHRISTIAN MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

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	<u>\$ 150,000</u> **	<u>\$ 100,000</u>

**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 Organization has a \$200,000 collateralized revolving line of credit with Fulton Bank. At both June 30, 2023 and 2022, the credit available was \$200,000. 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. The line of credit renews annually and is secured by real estate at 250 South 7th Street, Lebanon, PA.

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 representing principal and interest. 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

Year ending June 30, 2024	\$ 78
Total minimum lease payment	78
Less amount representing interest	(13)
Capital lease obligation	\$ 65

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 – LEASES *(continued)*

Leased property under capital leases at June 30, 2023 and 2022 includes the following:

	2023	2022
Dishwasher	\$ 3,743	\$ 3,743
Less accumulated depreciation	(1,604)	(1,069)
	\$ 2,139	\$ 2,674

Due to the immaterial nature of the lease, the Organization opted not to restate the lease in accordance with ASC 842.

Prior to the adoption of FASB ASC 840, the Organization leased a copier from Marco. The lease expires in October 2027. Total rental expense was \$3,850 for the year ending August 31, 2022. Total equipment lease expense was \$4,729 for the year ending August 31, 2023.

Future minimum lease payments are as follows:

Year Ending August 31,	Amount
2024	\$ 3,107
2025	3,107
2026	3,107
2027	1,036
Total lease payments	10,357
Less: present value discount	(840)
Present value of lease liabilities	\$ 9,517

LEBANON COUNTY CHRISTIAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – NET ASSETS

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

	2023	2022
Subject to expenditure for specified purpose:		
State food purchase program	\$ 20,003	\$ 46,524
Operation share	942	14,322
Capital campaign	209,564	291,564
	230,509	352,410
Subtotal	230,509	352,410
Subject to Organization's spending policy and appropriation:		
Bequest	100,000	100,000
	100,000	100,000
Total net assets with donor restrictions	\$ 330,509	\$ 452,410

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.

Underwater Endowment Fund

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund or perpetual duration. Deficiencies of this nature exist in the Davis Trust, which has an original gift value of \$100,000, current fair values of \$91,017 and \$85,755, and deficiencies of \$8,983 and \$14,245 as of June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the fiscal years.

NOTE 10 – 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, 2023 and 2022 totaled \$14,500 and \$11,650, respectively.

NOTE 11 – SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through April 1, 2024, the date of this report, which is the date the financial statements were available to be issued.