

LAMB AND LION MINISTRIES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2023

Lamb and Lion Ministries, Inc.
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December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lamb and Lion Ministries, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lamb and Lion Ministries, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lamb and Lion Ministries, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lamb and Lion Ministries, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Lamb and Lion Ministries, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 auditors' 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 GAAS 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 GAAS, 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 Lamb and Lion Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lamb and Lion Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

SST Accountants & Consultants

SST Accountants & Consultants PLLC

August 28, 2024

Lamb and Lion Ministries, Inc.
Statement of Financial Position
December 31, 2023

ASSETS

Cash	\$ 1,548,692
Certificates of deposit	511,319
Inventory	118,743
Prepaid expenses	21,791
Deposits	125
Property and equipment, net	<u>554,161</u>
 TOTAL ASSETS	 <u><u>\$ 2,754,831</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 60,608
Retirement accrual	78,535
Deferred revenue	6,490
Total Liabilities	<u>145,633</u>

Net Assets

Without Donor Restrictions	2,514,499
With Donor Restrictions	94,699
Total Net Assets	<u>2,609,198</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,754,831</u></u>
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The accompanying notes are an integral part of this financial statement.

Lamb and Lion Ministries, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 2,637,275	\$ 72,955	\$ 2,710,230
Sales, net of cost of sales of \$72,811	238,169	-	238,169
Interest income	31,868	-	31,868
Other income	38,990	-	38,990
	<u>2,946,302</u>	<u>72,955</u>	<u>3,019,257</u>
Net assets released from restrictions	85,236	(85,236)	-
Total Revenues and Support	<u>3,031,538</u>	<u>(12,281)</u>	<u>3,019,257</u>
Expenses			
Program services			
Outreach services	2,529,903	-	2,529,903
Missions	170,665	-	170,665
Total program services	<u>2,700,568</u>	<u>-</u>	<u>2,700,568</u>
Supporting services			
Management and general	425,211	-	425,211
Fundraising	36,412	-	36,412
Total supporting services	<u>461,623</u>	<u>-</u>	<u>461,623</u>
Total Expenses	<u>3,162,191</u>	<u>-</u>	<u>3,162,191</u>
Change in Net Assets	(130,653)	(12,281)	(142,934)
Net Assets, Beginning of Year	<u>2,645,152</u>	<u>106,980</u>	<u>2,752,132</u>
Net Assets, End of Year	<u>\$ 2,514,499</u>	<u>\$ 94,699</u>	<u>\$ 2,609,198</u>

The accompanying notes are an integral part of this financial statement.

Lamb and Lion Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services			Supporting Services			Total
	Outreach Services	Missions	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 928,759	\$ 74,990	\$ 1,003,749	\$ 264,488	\$ 9,999	\$ 274,487	\$ 1,278,236
Media outreach	1,227,084	-	1,227,084	-	-	-	1,227,084
Missions	-	75,016	75,016	-	-	-	75,016
Meetings and conferences	131,306	-	131,306	-	-	-	131,306
Information technology and communication	86,709	7,896	94,605	22,565	1,128	23,693	118,298
Depreciation and amortization	52,046	5,060	57,106	14,457	723	15,180	72,286
Professional services	12,864	1,251	14,115	29,584	23,505	53,089	67,204
Occupancy	45,586	3,323	48,909	15,389	475	15,864	64,773
Bank and credit card charges	-	-	-	51,492	-	51,492	51,492
Furniture and equipment	14,444	-	14,444	10,623	493	11,116	25,560
Prophecy partner expenses	23,666	-	23,666	-	-	-	23,666
Miscellaneous	962	2,500	3,462	5,813	-	5,813	9,275
Advertising and promotion	-	-	-	9,000	-	9,000	9,000
Supplies	6,477	629	7,106	1,800	89	1,889	8,995
	<u>\$ 2,529,903</u>	<u>\$ 170,665</u>	<u>\$ 2,700,568</u>	<u>\$ 425,211</u>	<u>\$ 36,412</u>	<u>\$ 461,623</u>	<u>\$ 3,162,191</u>

The accompanying notes are an integral part of this financial statement.

Lamb and Lion Ministries, Inc.
Statements of Cash Flows
For the Year Ended December 31, 2023

Cash Flows From Operating Activities	
Change in Net Assets	\$ (142,934)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	72,286
Reinvested interest on certificates of deposit	(11,319)
Changes in operating assets and liabilities:	
Inventory	46,897
Prepaid expenses	(8,703)
Accounts payable and accrued expenses	(52,233)
Retirement accrual	(14,990)
Deferred revenue	(4,080)
Net Cash Provided by (Used in) Operating Activities	<u>(115,076)</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(169,465)
Purchase of certificates of deposit	(500,000)
Net Cash Provided by (Used in) Investing Activities	<u>(669,465)</u>
Change in Cash	(784,541)
Cash, Beginning of Year	<u>2,333,233</u>
Cash, End of Year	<u><u>\$ 1,548,692</u></u>

The accompanying notes are an integral part of this financial statements.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

The summary of significant accounting policies of Lamb and Lion Ministries, Inc. (Ministry) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Ministry's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Ministry was founded in 1980 as a non-denominational independent ministry. The Ministry does not seek to convert people to any particular ministry. The Ministry is governed by a board of twelve trustees who come from a variety of Christian fellowships. The trustees establish all the policies of the Ministry and meet regularly to review the Ministry's operations.

The Ministry currently operates from its sole location in Texas with the administration and management of the Ministry located in Princeton, Texas.

The Ministry believes in operating debt free. All the Ministry's land, buildings and equipment are paid for in full. The Ministry is supported primarily through donor contributions.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Ministry and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Ministry to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of trustees approved spending policy. As of December 31, 2023, no such net assets restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Cash

For purposes of the statement of cash flows, the Ministry considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. The Ministry had no cash equivalents as of December 31, 2023. The Ministry places its cash, which, at times, may exceed federally insured limits, with high-credit quality financial institutions. The Ministry has not experienced any losses on such amounts.

Certificates of Deposit

Certificates of deposit with maturity dates of three months or more when purchased are recorded as certificates of deposit. Certificates of deposit are valued at face value plus accrued interest. The Ministry has two certificates of deposit with interest rates of 4.51% and 4.91%. One certificate of deposit matured on January 25, 2024 and the other certificate of deposit matured on March 23, 2024. Both certificates of deposit were renewed subsequent to the year ended December 31, 2023.

Inventory

Inventory is stated at cost. Inventory consists of product supplies and finished products.

Property and Equipment

Property and equipment are recorded at costs or, if donated, at estimated fair market value at the date of donation, less accumulated depreciation and amortization. Property and equipment in excess of \$3,000 with a useful life of more than one year are capitalized. Maintenance and repairs which do not improve or extend the lives of the respective assets are expensed. When property or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is recorded. Depreciation and amortization have been computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	15-40 years
Vehicles	4-10 years
Furniture and equipment	5-15 years

Impairment of Long-Lived Assets

The Ministry regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the year ended December 31, 2023.

Revenue Recognition

The Ministry recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. 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 met.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Sales and program income are recognized as the Ministry satisfies its performance obligations. Revenue is reported at the amount of consideration to which the Ministry expects to be entitled in exchange for providing program services or promised products to customers under *Revenue from Contracts with Customers Accounting Standards Codification* (ASC) Topic 606. The Ministry determines the transaction price based on standard charges for services provided or product sales. Program income paid in advance is classified as deferred revenue until the services have been provided.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets are recognized as revenue and expenses on the accompanying statement of activities and changes in net assets at their estimated fair value at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Ministry. There was no revenue recognized from donated services for the year ended December 31, 2023. However, many individuals volunteer their time and perform a variety of tasks that help the Ministry. The value of this contributed time is not reflected in the Ministry's financial statements because it does not meet the above criteria.

For the year ended December 31, 2023, there were no contributed nonfinancial assets.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses which are allocated on the basis of estimates of time and effort include salaries and benefits, information technology and communication, occupancy, and depreciation and amortization. All other natural expense categories using the key concept of direct conduct or direct supervision are charged to the benefiting program or supporting service.

Leases

The Ministry determines if a contract is classified as a lease at the contract's inception. Lease agreements are evaluated to determine whether the lease is a finance or operating lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the net present value of lease payments over the remaining lease term. The Ministry's leases do not provide an implicit rate; therefore, the Ministry has elected to use a risk-free rate as its incremental borrowing rate, based on the information available at the commencement date to determine the present value of the lease payments over the remaining lease term. Leases with an initial term of 12 months or less are not recorded on the accompanying statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. The Ministry had no long-term operating or finance leases for the year ended December 31, 2023.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Ministry is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Ministry has been classified as an organization that is not a private foundation under IRC Section 509(a)(3), and as such, contributions to the Ministry qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Ministry's exempt purpose is subject to tax under IRC Section 511. The Ministry generated no income from activities unrelated to its exempt purpose for the year ended December 31, 2023.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) ASC Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities and changes in net assets or accrued in the statement of financial position. Federal and state tax returns of the Ministry are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include the use of assumptions for the functional allocation of expenses and recording depreciation and amortization. Actual results could differ from estimates.

Accounting Pronouncement Adopted in 2023

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the impairment model used to measure credit losses for most financial assets. Under the new model the Ministry is required to estimate expected credit losses over the life of its trade receivables, certain other receivables and certain other financial instruments. The new model replaced the existing incurred credit loss model and generally results in earlier recognition of allowances for credit losses. The Ministry adopted this guidance in 2023 using the modified retrospective approach, and the adoption did not have a material impact on the financial statements or disclosures.

Date of Management's Review

The Ministry has evaluated subsequent events through August 28, 2024, the date the financial statements were available to be issued.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 2: Property and Equipment

Property and equipment at December 31, 2023 were as follows:

Land	\$ 22,500
Buildings	668,835
Vehicles	54,841
Furniture and equipment	<u>540,903</u>
	1,287,079
Less: accumulated depreciation and amortization	<u>(732,918)</u>
	<u>\$ 554,161</u>

Note 3: Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2023:

Mission trips	\$ 94,699
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Net assets released from donor restrictions during the year ended December 31, 2023 were as follows:

Mission trips	\$ 73,890
Scholarships	<u>11,346</u>
	<u>\$ 85,236</u>

Note 4: Retirement

The Ministry offers a retirement benefit to each of its employees. In order to qualify, the employee must meet the following vesting stipulations.

- Retire or resign under favorable circumstances, and with a minimum two-week notice
- Work a minimum of 5-years at the Ministry

Upon retirement, the Ministry will pay one-month salary plus \$100 per year of service. Employees with longevity greater than twenty years will receive \$200 per year of service. As of December 31, 2023, the Ministry has accrued approximately \$78,000 for retirement benefits.

Note 5: Liquidity

As part of the Ministry'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. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the operating accounts.

In addition, the Ministry is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Ministry must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

Lamb and Lion Ministries, Inc.
Notes to Financial Statements
December 31, 2023

Note 5: Liquidity (Continued)

The following reflects the Ministry's financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets	
Cash	\$ 1,548,692
Certificates of deposit	<u>511,319</u>
Total financial assets	2,060,011
Less amounts not available for general expenditures within one year to:	
Donor-imposed restrictions	<u>(94,699)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,965,312</u>