

THE LAMB CENTER

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

THE LAMB CENTER
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YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
THE LAMB CENTER
FAIRFAX, VIRGINIA**

We have audited the accompanying financial statements of The Lamb Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lamb Center as of June 30, 2020, 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.

Robinson, Farmer, Cox Associates
Staunton, Virginia
November 20, 2020

FINANCIAL STATEMENTS

THE LAMB CENTER
Statement of Financial Position
June 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 498,213
Investments	59,966
Inventory	12,621
Prepaid expenses	5,353
Total current assets	\$ 576,153

Noncurrent Assets:

Property and Equipment:

Land	\$ 1,830,602
Building and improvements	2,440,088
Vehicles	42,500
Furniture, fixtures, and equipment	145,482
Less: Accumulated depreciation	(342,949)
Net property and equipment	\$ 4,115,723

Other Long-Term Assets:

Investments	\$ 1,529,093
Security deposits	70
Other deposits	1,392
Total other long-term assets	\$ 1,530,555

Total noncurrent assets	\$ 5,646,278
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Total assets	\$ 6,222,431
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Accounts payable	\$ 2,030
Accrued wages and payroll taxes	33,401
Compensated absences	44,078
Vehicle loan, current portion	3,976
Total current liabilities	\$ 83,485

Long-Term Liabilities:

Vehicle loan, less current portion	\$ 13,216
Loan payable	162,000
Total long-term liabilities	\$ 175,216
Total liabilities	\$ 258,701

Net Assets:

Net assets without donor restrictions	\$ 5,963,730
Total net assets	\$ 5,963,730
Total liabilities and net assets	\$ 6,222,431

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

THE LAMB CENTER
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions
Revenues, gains, and other support:	
Contributions	\$ 1,408,573
Contributions in-kind	397,553
Local government grants	351,965
Investment income, net	50,241
Total revenues, gains, and other support	\$ 2,208,332
Expenses:	
Program services (Note 2)	
Career and support	\$ 1,395,964
Supporting services:	
Management and general	260,650
Fundraising	89,559
Total expenses	\$ 1,746,173
Change in net assets	\$ 462,159
Net assets at beginning of year	5,501,571
Net assets at end of year	\$ 5,963,730

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

THE LAMB CENTER
Statement of Functional Expenses
Year Ended June 30, 2020

Expense	Program Services		Supporting Services		Total June 30, 2020
	Career and Support	Management and General	Fund-raising		
Personnel costs	\$ 735,568	\$ 148,974	\$ 46,555	\$	931,097
Supplies	312,030	-	-		312,030
Facilities	77,063	1,780	555		79,398
Depreciation	89,761	1,875	587		92,223
Professional fees	42,992	103,327	1,337		147,656
Compassion and caring program	16,783	-	-		16,783
Programs	68,991	-	-		68,991
Fundraising events	-	-	39,583		39,583
Printing and copying	23,694	549	171		24,414
Insurance	6,545	2,464	32		9,041
Postage and shipping	2,945	552	184		3,681
Licenses and fees	1,323	70	-		1,393
Office	4,759	756	252		5,767
Vehicles	1,526	-	-		1,526
Travel and meetings	2,424	303	303		3,030
Staff and volunteer appreciation	9,560	-	-		9,560
Totals	<u>\$ 1,395,964</u>	<u>\$ 260,650</u>	<u>\$ 89,559</u>	<u>\$</u>	<u>1,746,173</u>

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

THE LAMB CENTER
Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 462,159
Adjustments to reconcile the change in net assets to net cash flows from operating activities:	
Net realized/unrealized (gain) loss on securities	(5,233)
Interest and dividends on investments	(45,008)
Non-cash donation of investment securities	(11,448)
Depreciation expense	92,223
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	605
(Increase) decrease in prepaid expenses	(623)
(Increase) decrease in inventory	741
(Increase) decrease in security deposits	(1,392)
Increase (decrease) in accounts payable	(1,058)
Increase (decrease) in accrued wages	(4,046)
Increase (decrease) in compensated absences	724
Net cash flows provided by (used for) operating activities	<u>\$ 487,644</u>
Cash flows from investing activities:	
Purchase/sale of investments, net	<u>\$ (200,000)</u>
Net cash flows provided by (used for) investing activities	<u>\$ (200,000)</u>
Cash flows from financing activities:	
Principal payments on vehicle loan	\$ (4,395)
Issuance of note payable	162,000
Net cash flows provided by (used for) financing activities	<u>\$ 157,605</u>
Net change in cash and cash equivalents	\$ 445,249
Cash and cash equivalents, beginning of year	<u>52,964</u>
Cash and cash equivalents, end of year	<u><u>\$ 498,213</u></u>

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

THE LAMB CENTER
Notes to Financial Statements
June 30, 2020

NOTE 1—DESCRIPTION OF THE ORGANIZATION:

The Lamb Center (the “Center”) is organized under the laws of the Commonwealth of Virginia as a nonprofit organization and is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. The Center operates an informal partnership with local Christian churches, reaching out to the poor by providing a place for homeless men and women to obtain services to assist in their move toward sustainable living situations. The Center provides services to any who follow simple rules of safety, regardless of faith. The basic services the Center provides from its facility in the City of Fairfax, Virginia include: counseling, showers, laundry, simple medical and dental assistance, meals, phones, and an address for guests to receive mail.

Funding for these activities comes primarily from cash and in-kind donations received from individuals, businesses, religious and other organizations within the regional communities at large. The Center also makes use of government grants to advance select programs of public concern.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to the following two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, or the net assets that were donated with donor-imposed stipulations and released from restriction within the same fiscal year. Net assets without donor restrictions for the year ended June 30, 2020 amounted to \$5,963,730.

Net assets with donor restrictions - Net assets with donor restrictions are resources whose use by the Organization is limited by donor-imposed restrictions. This category includes both donor restrictions that are temporary in nature, and those that neither expire by being used in accordance with a donor’s restriction nor by the passage of time. The Organization has no net assets with donor restrictions for the year ended June 30, 2020.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Program Services

The Center’s sole program service is to meet the spiritual and physical needs of the poor and homeless in and around Fairfax, Virginia.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, cash deposited with financial institutions and all highly liquid investments with an original maturity of three months or less.

Contributions Receivable

Management recognizes promises to give either once any conditions imposed by the donor relating to uncertain future events (i.e. other than restrictions for the passage of time or purpose of the funds) are met or once there is only a remote chance they will not be met. Contributions receivable are reflected at the present value of estimated future cash flows using a discount rate at the prime rate at fiscal year-end. There were no contributions receivable at June 30, 2020.

Inventory

Management values inventory of contributed supplies on-hand using an estimated flea market value, which takes the condition and likely method of disposition into account.

Investments

Donated equity securities are held at their original cost or market value at the time of contribution, and sold as soon as practicable thereafter. Cash flows from these sales are reported as being from operating activities under FASB ASC 230-10-45-21A. Sales of securities are reported net of nominal transaction fees ordinarily charged on similar accounts with their brokerage company. Donated investments still held at year end are considered current assets as they are expected to be converted to cash within one year. The Organization has \$59,966 in donated investments at June 30, 2020. Advisory fees of \$9,800 were provided in-kind during the current fiscal year.

In addition, the Board directed \$200,000 of the Center's cash to be invested in fiscal year 2020 with the intentions of long-term growth and returns. These investments, which are reported separately from donated securities, are stated at fair value and are categorized as long-term assets in the accompanying statement of financial position.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost for all property and equipment with acquisition costs that exceed \$1,000. The fair value of donated assets at the date of the gift is similarly capitalized or recognized as an expense. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets.

Furniture and Equipment	5-7 years
Phone and Security Systems	7 years
Computer Equipment	5 years
Vehicles	5 years
Leasehold Improvements	10-20 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of activities.

Certain property and equipment, which included mostly desks and chairs, were donated to the Center when it first began operations. Given the age and condition of the fixed assets, and because they were received after use by a related organization, no value was recorded for these assets.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of these items is recorded as an expense when consumed rather than when purchased.

Construction and Development

Costs to acquire, improve, and construct real property (including professional services, licenses and permits, and holding costs such as interest on construction loans, property hazard and builder's peril insurance, utilities, etc.) are capitalized as incurred, and any funds remain restricted by the donor for such purpose, until the project is substantially complete and ready for its intended use.

Contributions

Contributions received are recognized as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. The Center reports gifts of cash and other assets, or sales of donated assets, as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor's restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the support is reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Management does not imply time restrictions for contributions of long-lived assets (or cash contributions to purchase them.)

Contributed Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Services recognized by the Center include lawyers provided to the guests, repairs of service equipment, accounting services utilized by management, storage facilities provided by a local church, and lawyers, financial advisors, and other professionals involved in the Center's purchase and development of property used for their new facilities.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

All promotional costs are directed toward raising donations and are expensed in the current year or upon occurrence of the fundraising event.

Cost of Joint Activities

FASB ASC 958-720-45-29 describes recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or management and general). The standard requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Income Tax

The Center is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Center has been determined to not be a "private foundation" within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). The Center did not conduct unrelated business activities and therefore, has made no provision for federal income taxes in the accompanying financial statements.

NOTE 3—CONCENTRATION OF CREDIT RISK AND ECONOMIC DEPENDENCY:

Financial instruments that potentially subject the Center to concentrations of credit risk consist of interest bearing cash and investments in the bank. The Center maintains its cash accounts in various financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) through the use of a sweep account to avoid maintaining uninsured balances. At June 30, 2020, the Center was utilizing three financial institutions to maintain its cash balances.

The FDIC insures cash balances of interest bearing accounts up to \$250,000 at each institution. There were no uninsured cash balances at June 30, 2020.

The Center receives a substantial amount of its support from public contributions. Such contributions amounted to 81.79% of total support for fiscal year 2020. Any shift in charitable giving would have a significant impact on the Center’s operations. In such a situation, the Board would adjust services to be provided commensurate with donation levels.

NOTE 4—CONTRIBUTIONS IN-KIND:

Contributions in-kind consist of the following revenues with related expenses:

Professional fees	\$	100,700
Goods		<u>296,853</u>
	\$	<u><u>397,553</u></u>

Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Center in performance of its exempt activities, but these services do not meet the criteria for recognition as contributed services.

NOTE 5—INVESTMENTS:

Investments are stated at fair value and are summarized as follows as of June 30, 2020:

		<u>Fair Value</u>
Insured deposit program	\$	9,552
Equity securities		510,844
Mutual funds		<u>1,068,663</u>
Total	\$	<u><u>1,589,059</u></u>

NOTE 6—INVESTMENT FAIR VALUE MEASUREMENTS:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is used that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following information summarizes the Center’s investments on a recurring basis:

	<u>Fair Value Measurements at Reporting Date Using</u>	
	Fair Value at 6/30/19	Quoted Prices in Active Markets for Identical Assets (Level 1)
Insured deposit program	\$ 9,552	\$ 9,552
Equity securities	510,844	510,844
Mutual funds	1,068,663	1,068,663
Total	<u>\$ 1,589,059</u>	<u>\$ 1,589,059</u>

NOTE 7—INVENTORY:

Inventory as of June 30, 2020 consists of the following:

Laundry and toiletries	\$ 3,985
Clothes	3,239
Food and related supplies	3,562
Dental supplies	855
Office supplies	980
Total inventory	<u>\$ 12,621</u>

THE LAMB CENTER
Notes to Financial Statements (continued)
June 30, 2020

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$	1,830,602
Building and improvements		2,440,088
Furniture, fixtures, and equipment		145,482
Vehicles		<u>42,500</u>
Subtotal	\$	4,458,672
Accumulated depreciation		<u>(342,949)</u>
Net property and equipment	\$	<u><u>4,115,723</u></u>

Depreciation expense for the year ended June 30, 2020 totaled \$92,223.

NOTE 9—COMPENSATED ABSENCES:

The Center's employees earn annual leave at various rates. Accumulated vacation up to 240 hours is paid upon termination. As of June 30, 2020, the accrual for compensated absences amounted to \$44,078.

NOTE 10—LINES OF CREDIT:

The Center has a \$3,000 unsecured revolving line of credit with Citibank, under the Staples Card brand, used for making purchases of supplies. Interest and principal (subject to minimum amounts) is payable monthly, with interest charged at an annual rate of 23.99% after a grace period (if the prior month's balance is paid in full.) Additionally, the Center has a \$100,000 line of credit with MainStreet Bank at an interest rate of 5.5%. There was no outstanding balance on either of these lines of credit at June 30, 2020.

NOTE 11—VEHICLE LOAN:

The Center obtained a loan for the purchase of a vehicle on March 19, 2019 in the amount of \$22,500 at an interest rate of 3%, with monthly payments of \$404.77 through March 19, 2024.

Annual requirements to amortize the loan and related interest are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 3,976	\$ 881
2022	4,200	657
2023	4,437	420
2024	<u>4,579</u>	<u>151</u>
Total	\$ <u><u>17,192</u></u>	\$ <u><u>2,109</u></u>

NOTE 12—LOAN PAYABLE:

In response to the economic instability caused by COVID-19, the “CARES Act” was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan (“PPP loan”) to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act. On April 20, 2020, the Center received a PPP loan in the amount of \$162,000 with a maturity date of April 20, 2022 and an interest rate of 1%. Management believes the funds have been used for qualifying costs and intends to apply for forgiveness of this loan.

NOTE 13—CONTINGENCIES AND CLAIMS:

The Center is only registered to solicit for charitable donations in Virginia. Management does not believe the Center is subject to the registration requirement of any other state.

NOTE 14—LIQUIDITY AND AVAILABILITY:

The following reflects the Center’s financial assets as of June 30, 2020, reduced by donor restrictions and amounts not available for general use because of board designations.

Financial assets at year-end:	
Cash and cash equivalents	\$ 498,213
Investments	<u>1,589,059</u>
Total financial assets available for use at year-end	\$ <u>2,087,272</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u><u>2,087,272</u></u>

None of the financial assets available for use are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial position date. The Center’s liquidity reserves may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the Center’s normal course of business.

NOTE 15—DEFINED CONTRIBUTION PENSION PLAN:

The Center sponsors an IRC §403(b) defined contribution pension plan in the Anglican Church in North America (ACNA) Retirement Plan and Trust. The Center will match employee contributions of 4% of their salary. The Center paid \$27,238 of employer contributions toward employees’ retirement accounts for the year ended June 30, 2020.

NOTE 16—RELATED PARTY TRANSACTIONS:

During fiscal year 2020, Board of Directors members contributed approximately \$25,111 and employees contributed approximately \$10,531 to The Lamb Center.

NOTE 17—EVALUATION OF SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Center has evaluated events and transactions for potential disclosure through November 20, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on the economy, including disruptions in the food supply chain and a dramatic increase in unemployment in the areas served by the Center.

Community support has exceeded expectations since the COVID-19 pandemic began. The extent of the impact of COVID-19 on community financial support and demand for the Center’s services and resources will depend on future developments, including the duration and spread of the outbreak, both of which are highly uncertain.

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