

LAKESIDE CHRISTIAN CHURCH, INC.
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2024
WITH
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Management and Church Elders
Lakeside Christian Church, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Lakeside Christian Church, Inc. (a nonprofit organization), and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lakeside Christian Church, Inc. and its subsidiary as of June 30, 2024, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Lakeside Christian Church, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeside Christian Church, Inc.'s 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 Lakeside Christian Church 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeside Christian Church 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.

Bramel & Ackley, P.S.C.

August 16, 2024

LAKESIDE CHRISTIAN CHURCH, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS:

Current assets:

Cash	\$ 308,809
Certificates of deposit	478,385
Prepaid expenses	<u>4,653</u>

Total current assets		\$ 791,847
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Property, plant and equipment:

Buildings and improvements	12,939,894
Land and improvements	851,836
Equipment	357,791
Furniture	291,188
Less: Accumulated depreciation	<u>(5,650,951)</u>

Net property, plant and equipment		<u>8,789,758</u>
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Total assets		<u><u>\$ 9,581,605</u></u>
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LIABILITIES:

Current liabilities:

Accounts payable	\$ 34,295
Deferred income	3,333
Security deposit	15,075
Current portion of loans payable	<u>302,467</u>

Total current liabilities		\$ 355,170
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Long-term liabilities:

Loans payable	7,626,421
Less: unamortized debt issuance cost	<u>(49,009)</u>

Total long-term liabilities		<u>7,577,412</u>
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Total liabilities		7,932,582
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NET ASSETS:

Without donor restrictions		<u>1,649,023</u>
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Total liabilities and net assets		<u><u>\$ 9,581,605</u></u>
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The accompanying notes are an integral part of these financial statements.

LAKESIDE CHRISTIAN CHURCH, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

REVENUES:

Offering income	\$ 3,301,980
Miscellaneous income	92,596
Interest income	<u>28,129</u>

Total revenues	\$ 3,422,705
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EXPENSES:

Program Services	2,383,474
General & Administrative	<u>319,572</u>

Total expenses	<u>2,703,046</u>
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INCREASE IN NET ASSETS BEFORE OTHER REVENUES AND EXPENSES	719,659
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OTHER REVENUES (EXPENSES):

Rental income	195,417
Loss on sale of fixed assets	(1,049,885)
Rental expenses	(108,139)
Depreciation expense	<u>(514,014)</u>

Total other revenues (expenses)	<u>(1,476,621)</u>
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DECREASE IN NET ASSETS	(756,962)
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NET ASSETS AT BEGINNING OF YEAR	<u>2,405,985</u>
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NET ASSETS AT END OF YEAR	<u><u>\$ 1,649,023</u></u>
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The accompanying notes are an integral part of these financial statements.

LAKESIDE CHRISTIAN CHURCH, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
	Ministry	General & Admin	Expenses
Salaries and benefits	\$ 1,072,063	\$ 219,579	\$ 1,291,642
Interest expense	459,921	-	459,921
Serving	307,554	-	307,554
Facilities	154,471	38,618	193,089
Utilities	129,464	32,366	161,830
Administrative expense	62,482	15,620	78,102
High/Middle school ministry	44,724	-	44,724
Campus ministry	40,115	-	40,115
Insurance	25,119	6,280	31,399
Children's ministry	31,084	-	31,084
Communications	15,130	3,783	18,913
Creative arts	18,390	-	18,390
Information technology	12,505	3,126	15,631
Leadership team	8,116	-	8,116
Property taxes	802	200	1,002
Staff development	941	-	941
Community groups	593	-	593
Total expenses	<u><u>\$ 2,383,474</u></u>	<u><u>\$ 319,572</u></u>	<u><u>\$ 2,703,046</u></u>

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

LAKESIDE CHRISTIAN CHURCH, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

Cash flows from operating activities:

(Decrease) in net assets	\$ (756,962)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities:	
Depreciation	514,014
Loss on sale of fixed assets	1,049,885
Decrease in debt issuance cost	4,056
Decrease in prepaid expense	2,347
Increase in deferred income	114
Increase in security deposit	4,167
(Decrease) in accounts payable	<u>(135,888)</u>
Net cash provided by operating activities	<u>681,733</u>

Cash flows from investing activities:

Purchase of property, plant and equipment	(349,737)
Proceeds on sale of fixed assets	<u>896,623</u>
Net cash provided by investing activities	<u>546,886</u>

Cash flows from financing activities:

Payments on loan payable	<u>(1,551,210)</u>
Net cash (used in) financing activities	<u>(1,551,210)</u>

Net (decrease) in cash and certificates of deposit	(322,591)
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Cash and certificates of deposit - beginning of year	<u>1,109,785</u>
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Cash and certificates of deposit - end of year	<u><u>\$ 787,194</u></u>
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CASH PAID DURING THE YEAR:

Interest	<u><u>\$ 455,865</u></u>
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The accompanying notes are an integral part of these financial statements.

LAKESIDE CHRISTIAN CHURCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Lakeside Christian Church, Inc. was incorporated as a not-for-profit church on December 21, 1967, under the laws of the Commonwealth of Kentucky. Lakeside Christian Church, Inc. is a local autonomy and is not connected with any state or national ecclesiastical, religious or quasi-religious organization or corporation. Lakeside Christian Church, Inc. is supported through contributions from the congregation.

Habar, LLC was organized as a single member limited liability company, under the laws of the Commonwealth of Kentucky on February 5, 2020, to serve as the landlord of the tenants of a commercial retail center owned by Lakeside Christian Church, Inc. The sole member of Habar, LLC is Lakeside Christian Church, Inc. Its principal source of revenue is rental income.

The following is a summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements.

Consolidated Financial Statements: The consolidated financial statements include the accounts of Lakeside Christian Church, Inc. and Habar, LLC (collectively, the “Church”). All material intercompany transactions have been eliminated in consolidation.

Basis of Accounting: The consolidated financial statements of the Church has been prepared utilizing the accrual basis of accounting.

Basis of Presentation: The Church reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of the Church’s management and the Elders.
- Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period which the contribution is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

At June 30, 2024, the Church had no net assets with donor restrictions.

Cash and Cash Equivalents: For the purposes of the statement of cash flows, the Church considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

LAKESIDE CHRISTIAN CHURCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property, Plant and Equipment: Property, plant and equipment are depreciated using a straight-line method over their estimated useful lives, ranging from 5 to 39 years. The Church's policy is to capitalize assets purchased at a cost of \$5,000 or greater. Donations of property and equipment are recorded as support at their estimated fair value.

Revenue and Revenue Recognition: The Church recognizes contributions 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 met.

Contributed Services: The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition contained in generally accepted accounting principles.

Income Taxes: The Church is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT

At various times throughout the year, the Church may have cash in certain financial institutions in excess of insured limits. At June 30, 2024, the Church had cash and certificates of deposit in financial institutions in excess of insured limits of \$611,551.

The certificates of deposit include:

<u>Bank</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
Christian Financial Resources, Inc	\$ 266,192	3/1/25	5.10%
Christian Financial Resources, Inc	212,193	7/25/24	5.00%
	<u>\$ 478,385</u>		

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Church regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Church has \$787,194 of cash and cash equivalents available to meet their needs for general expenditures at June 30, 2024.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Church considers all expenditures related to its ongoing activity of ministry as well as the conduct of services undertaken to support those activities to be general expenditures.

LAKESIDE CHRISTIAN CHURCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 – LOANS PAYABLE

At June 30, 2024, the Church had the following loans payable:

	<u>Principal</u>	<u>Unamortized debt issuance costs</u>
Construction/Term loan: The initial draw on the loan was taken on February 5, 2015. The available loan amount was \$6,300,000 with a 5-year term and interest rate of 4.50%. Interest only payments were due for the first 24 months of the loan. Monthly principal and interest payments, based on a 20-year amortization schedule, were due starting in March 2017. In July 2018, the loan was refinanced with CFR. The loan amount increased to \$8,500,000 with a 6-year term and interest rate of 4.50%. In August 2021, the loan was refinanced with CFR for the outstanding principal of \$6,422,270 with a 10-year term and interest rate of 3.95%. The loan is secured by the Buttermilk property.	\$5,627,305	\$ 13,023
Term loan: The available loan amount was \$4,500,000 with a 10-year term and fixed interest rate of 4.95% (effective interest rate of 5.06%) for the first five years, and a loan fee of .50%. Monthly principal and interest payments, based on a 20-year amortization schedule, were due starting in October 2019. In August 2021, the loan was refinanced with CFR for the outstanding principal of \$4,234,908 with a 15-year term and interest rate of 3.75%. The interest rate is adjusted as the Federal Reserve rate adjusts. The current interest rate at June 30, 2024 is 8.50%. The loan is secured by the Hebron and Buttermilk properties.	<u>2,301,583</u>	<u>35,986</u>
	<u>\$7,928,888</u>	<u>\$ 49,009</u>

The total principal payments in the current year were \$1,551,210.

The future minimum payments are as follows:

June 30, 2025	\$ 302,467
June 30, 2026	314,634
June 30, 2027	327,289
June 30, 2028	340,454
June 30, 2029	354,148
Thereafter	<u>6,289,896</u>
	<u>\$ 7,928,888</u>

NOTE 5 – OPERATING LEASES AS THE LESSEE

On January 1, 2024, the Church entered into an operating lease agreement for three copiers. The lease will expire on January 1, 2029.

LAKESIDE CHRISTIAN CHURCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 5 – OPERATING LEASES AS THE LESSEE (CONTINUED)

On April 21, 2022, the Church entered into an operating lease agreement for a poster machine. The lease will expire on April 21, 2027.

The future minimum lease payments are as follows:

June 30, 2025	\$ 21,708
June 30, 2026	21,708
June 30, 2027	21,518
June 30, 2028	20,568
June 30, 2029	<u>10,284</u>
	<u>\$ 95,786</u>

NOTE 6 – OPERATING LEASES AS THE LESSOR

On August 30, 2019, the Church purchased property in Hebron, Kentucky that included a commercial retail center. The Church is the lessor of the commercial retail center located at 1990 N. Bend Road in Hebron, KY under operating leases with three companies. The leases expire at various times through 2029.

On April 24, 2022, the Church entered a lease agreement with another church for the Taylor Mill property. The agreement commenced on June 1, 2022, and expired on May 31, 2024. The lease agreement included an option for the tenant to purchase the property during the lease term, which they exercised. As a result, the Church no longer owns the property in Taylor Mill.

Leased property

	<u>June 30, 2024</u>
Buildings	\$ 901,306
Less: accumulated depreciation	<u>(112,663)</u>
Total	<u>\$ 788,643</u>
Land	\$ 99,000

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Church has a 403(b) defined contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. The Church's portion consisted of a matching contribution of 100 percent of employee deferrals, up to 3 percent of eligible participants' compensation; and 2 percent of eligible participants' and eligible non-participants' compensation. In April 2020, the plan was amended so the Church's portion consists of a matching contribution of 100 percent of employee deferrals, up to 5 percent of eligible participants' compensation only. The Church's contribution to the plan was \$29,080 for the current year.

LAKESIDE CHRISTIAN CHURCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – EMPLOYEE RETENTION CREDIT

The Church recognized an employee retention credit (ERC) of \$88,324 as of June 30, 2024. The ERC is a refundable tax credit provided under the CARES Act to encourage businesses to keep employees on their payroll during the COVID-19 pandemic. This credit is designed to offset payroll taxes and is available to eligible employers who experienced a significant decline in gross receipts or were subject to a full or partial suspension of operations due to governmental orders related to COVID-19. The credit is recorded as miscellaneous income during the fiscal year.

NOTE 9 – SUBSEQUENT EVENTS

As of July 1, 2024, the Hebron location will be starting its own church. The Hebron church has entered into an agreement with Lakeside Christian Church, Inc. to lease the building located at 1980 N. Bend Road in Hebron, KY. The lease is for 29 months and includes an option to purchase the building at any time on or before November 30, 2026.

Additionally, Lakeside Christian Church, Inc. has entered an agreement to sell the commercial rental property located at 1990 N. Bend Road in Hebron, KY.

The Church has evaluated subsequent events through August 16, 2024, the date which the consolidated financial statements were available to be issued.