

LAMB and LION MINISTRIES

Financial Statements
(With Auditor's Report Thereon)

December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lamb and Lion Ministries
Princeton, Texas

We have audited the accompanying statement of financial position of Lamb and Lion Ministries as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Lamb & Lion Ministries' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lamb and Lion Ministries as of December 31, 2010, and the changes in its net assets, its functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pingleton, Howard & Company, P.C.

January 27, 2011

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FINANCIAL STATEMENTS

LAMB and LION MINISTRIES
Statement of Financial Position
December 31, 2010

ASSETS

Cash - unrestricted	\$ 450,383
Cash - missions	5,590
Cash - Israel	2,854
Cash - sales tax fund	540
Inventory - publications	80,971
Inventory - supplies	4,513
Utility deposits	125
Capital assets, net	<u>535,203</u>
Total assets	<u>\$ 1,080,179</u>

LIABILITIES and NET ASSETS

Liabilities:	
Sales taxes payable	\$ <u>540</u>
Total liabilities	<u>540</u>
Net assets:	
Unrestricted	1,071,195
Temporarily restricted	<u>8,444</u>
Total net assets	<u>1,079,639</u>
Total liabilities and net assets	<u>\$ 1,080,179</u>

The notes to the financial statements are an integral part of this statement.

LAMB and LION MINISTRIES
Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Sales	\$ 309,354		309,354
Undesignated gifts	1,554,103		1,554,103
Designated gifts		129,339	129,339
Other income	33,958		33,958
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>128,871</u>	<u>(128,871)</u>	
Total revenues	<u>2,026,286</u>	<u>468</u>	<u>2,026,754</u>
EXPENSES:			
Program services:			
Outreach services	1,457,353		1,457,353
Missions	<u>272,058</u>		<u>272,058</u>
Total program services	<u>1,729,411</u>		<u>1,729,411</u>
Support services:			
Administration	225,829		225,829
Fund raising	<u>47,345</u>		<u>47,345</u>
Total support services	<u>273,174</u>		<u>273,174</u>
Total expenses	<u>2,002,585</u>		<u>2,002,585</u>
Changes in net assets	23,701	468	24,169
Net assets - beginning	<u>1,047,494</u>	<u>7,976</u>	<u>1,055,470</u>
Net assets - ending	<u>\$ 1,071,195</u>	<u>8,444</u>	<u>1,079,639</u>

The notes to the financial statements are an integral part of this statement.

LAMB and LION MINISTRIES
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>	
	<u>Outreach Services</u>	<u>Missions</u>
EXPENSES:		
Ministers salaries and benefits	\$ 318,321	37,209
Staff salaries	175,988	
Other benefits	20,503	
Main office building	14,809	
Outreach director's home	4,461	
Storage building	1,109	
Video studio	10,223	
Property	2,286	
Furniture	254	
Equipment	21,660	
Vehicles	4,981	
Media outreach	588,351	6,657
Magazine	37,686	2,117
Books	5,505	
Other publications	17,933	
Audio cassettes	1,108	
Internet/WWW	3,592	
Conferences and pilgrimages	54,469	
Meetings and seminars	12,686	
Domestic missions		44,292
Foreign missions		180,064
Communications	28,174	
Benevolence		1,719
Supplies	20,104	
Mileage	3,788	
Publications - general	363	
Promotions	180	
Professional services	5,892	
Miscellaneous	37,893	
Depreciation	<u>65,034</u>	
 Total expenses	 \$ <u><u>1,457,353</u></u>	 <u><u>272,058</u></u>

The notes to the financial statements are an integral part of this statement.

<u>Support Services</u>		
<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>
136,987	19,210	511,727
51,544		227,532
11,533		32,036
5,170	3,525	23,504
2,621		7,082
		1,109
	1,665	11,888
501		2,787
		254
		21,660
		4,981
		595,008
	2,540	42,343
		5,505
		17,933
		1,108
		3,592
		54,469
	3,172	15,858
		44,292
		180,064
6,349	5,159	39,682
		1,719
2,436	7,922	30,462
947		4,735
		363
		180
4,445		10,337
3,296		41,189
	<u>4,152</u>	<u>69,186</u>
<u>225,829</u>	<u>47,345</u>	<u>2,002,585</u>

LAMB and LION MINISTRIES
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities:	
Cash received from contributors, sales and other income	\$ 2,026,754
Cash paid to suppliers	(1,179,664)
Cash paid to employees	<u>(776,422)</u>
Net cash provided (used) by operating activities	<u>70,668</u>
Cash flows from capital activities:	
Purchase of capital assets	<u>(80,345)</u>
Net cash (used) by capital activities	<u>(80,345)</u>
Net increase (decrease) in cash	(9,677)
Cash - beginning	<u>469,044</u>
Cash - ending	\$ <u><u>459,367</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 24,169
Adjustments to reconcile change in net assets to, net cash provided by operating activities:	
Depreciation	69,186
Increase in inventory	(17,716)
Decrease in taxes payable	<u>(4,971)</u>
Net cash provided by operating activities	\$ <u><u>70,668</u></u>

The notes to the financial statements are an integral part of this statement.

LAMB and LION MINISTRIES
Notes to the Financial Statements
December 31, 2010

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Lamb and Lion Ministries (the Ministry) have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. Revenues are recorded when earned and liabilities are recorded as incurred.

A. Reporting

In order to comply with accounting principles generally accepted in the United States of America, Lamb & Lion Ministry must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standards Board. The Board requires reporting amounts for the Ministry's total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Ministry's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

The Board also requires classification of the Ministry's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. At December 31, 2010, the Ministry had only unrestricted and temporarily restricted net assets.

B. Federal Income Taxes

No provision for federal income taxes has been made since the Ministry is a tax-exempt organization under Internal Revenue Code Section 501(c)3.

C. Budget

The Ministry prepares a budget to monitor its financial activities.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts.

E. Inventory

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

F. Use of Estimates

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

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LAMB and LION MINISTRIES
Notes to the Financial Statements
December 31, 2010
-continued-

(2) CASH AND CASH EQUIVALENTS

At December 31, 2010, the carrying amount of deposits was \$459,367 and the bank balance was \$423,308. Of the bank balance, \$423,308 was secured by federal depository insurance.

(3) CAPITAL ASSETS

All capital assets are stated at cost if the item was purchased, or at fair value at date of acquisition if the asset was donated. Items with a cost greater than \$500 are capitalized. A summary of capital assets is as follows.

	<u>Depreciation Method</u>	<u>12-31-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-10</u>
Land		\$ 22,500			22,500
Library books		10,978			10,978
Paintings		1,500			1,500
Buildings	40 yr. S/L	496,657	3,986		500,643
Vehicles	3 yr. S/L	39,250			39,250
Equipment	4-10 yr. S/L	536,243	24,380		560,623
Furniture	5-15 yr. S/L	<u>42,920</u>	<u>51,979</u>		<u>94,899</u>
		1,150,048	80,345		1,230,393
Less: accumulated depreciation		<u>(626,004)</u>	<u>(69,186)</u>		<u>(695,190)</u>
Total, net of depreciation		\$ <u><u>524,044</u></u>	<u><u>11,159</u></u>		<u><u>535,203</u></u>

(4) TEMPORARILY RESTRICTED ASSETS

The Ministry reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Ministry reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LAMB and LION MINISTRIES
Notes to the Financial Statements
December 31, 2010
-continued-

(4) **TEMPORARILY RESTRICTED ASSETS** (continued)

Temporarily restricted net assets are available for the following purposes:

Missions	\$ 5,590
Israel	<u>2,854</u>
Total	\$ <u>8,444</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Missions	\$ 126,419
Israel	<u>2,452</u>
Total restrictions released	\$ <u>128,871</u>

(5) **ACCRUED VACATION AND SICK LEAVE**

Vacation and sick leave are not paid upon termination; therefore, no accrued liability exists at December 31, 2010.

(6) **FUNCTIONAL ALLOCATION OF EXPENSES**

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