

FINANCIAL STATEMENTS

THE GOOD SHEPHERD
ALLIANCE, INC.

DECEMBER 31, 2009

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

The Good Shepherd Alliance, Inc. was incorporated under the laws of the Commonwealth of Virginia on December 4, 1991, to operate a non-stock, nonprofit organization.

The Good Shepherd Alliance, Inc. is organized to provide persons in need with clothes, food, shelter, counseling and other necessary and proper services so as to assist people in times of family and personal crises. At all times, the assets of the corporation will be dedicated to charitable purposes as stated in its articles of incorporation.

The Good Shepherd Alliance, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code on May 28, 1993 effective December 4, 1991.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Mark Gunderman, Chair
Nicholas Graham, Vice Chair
Jim Baratta, Treasurer
David Cook, Esq., Secretary

BOARD OF DIRECTORS

| | |
|----------------------|-----------------------|
| Jim Baratta | Nicholas Graham |
| Bahman Batmanghelidj | Mark Gunderman |
| Abby Chapple | Pastor David Norman |
| David Cook, Esq. | Robert Ohneiser, Esq. |
| Mandy Girolami | James Thrash |

ADVISORY BOARD

| | |
|----------------------|--------------------|
| Jane Burnett | Clint Good |
| Deeda Calderazzo | Judy Hines |
| Pastor Jim Cryer | Brendan A. Leonard |
| Salvatore D'Agostino | Maureen Ready |
| Steve D'Argenio | Mark Schmitt |
| Gene Ficarra | Craig Stutzman |
| Joyce Trickett | |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Good Shepherd Alliance, Inc.
Ashburn, Virginia

We have audited the accompanying statement of financial position of The Good Shepherd Alliance, Inc., a nonprofit organization, as of December 31, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's 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 The Good Shepherd Alliance, Inc. as of December 31, 2009 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Leesburg, Virginia
May 17, 2010

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

| | |
|---|------------------|
| Cash deposits and cash equivalents | \$ 388,271 |
| Accounts receivable | 16,650 |
| Grants receivable | 13,091 |
| Prepaid expenses | 33,067 |
| Leasehold improvements reimbursement due | 15,000 |
| Security deposits/other | 7,370 |
| Land, buildings and equipment (net of accumulated depreciation of \$300,376) | <u>3,511,864</u> |

Total assets

\$ 3,985,313

LIABILITIES AND NET ASSETS

Liabilities

| | |
|---|-------------------------|
| Accounts payable | \$ 8,804 |
| Escrow deposits | 3,389 |
| Accrued payroll and payroll liabilities | 35,488 |
| Security deposits | 2,275 |
| Mortgages payable | <u>2,069,978</u> |
| Total liabilities | <u><u>2,119,934</u></u> |

Net Assets

| | |
|-------------------------|-------------------------|
| Unrestricted | 1,849,379 |
| Temporarily restricted | <u>16,000</u> |
| Total net assets | <u><u>1,865,379</u></u> |

Total liabilities and net assets

\$ 3,985,313

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Public Support | | | |
| Contributions (in-kind \$217,279) | \$ 500,004 | \$ 16,000 | \$ 516,004 |
| Fundraising programs (less expenses of \$8,335) | 21,958 | - | 21,958 |
| CDBG Grant | 36,434 | - | 36,434 |
| Commonwealth of Virginia | 51,682 | - | 51,682 |
| Loudoun County, Virginia | 68,220 | - | 68,220 |
| Private grants | 40,000 | - | 40,000 |
| United Way | 1,309 | 7,308 | 8,617 |
| Total public support | <u>719,607</u> | <u>23,308</u> | <u>742,915</u> |
| Revenue | | | |
| Thrift Stores receipts | 786,620 | - | 786,620 |
| Rental income - subsidized housing | 11,065 | - | 11,065 |
| Other (including sales and donated vehicles \$19,790) | 23,002 | - | 23,002 |
| Total revenue | <u>1,540,294</u> | <u>23,308</u> | <u>1,563,602</u> |
| Net assets released from restriction | 7,308 | (7,308) | - |
| Total support and revenue | <u>1,547,602</u> | <u>16,000</u> | <u>1,563,602</u> |
| EXPENSES | | | |
| Program services - shelters | 733,875 | - | 733,875 |
| Thrift stores | 626,160 | - | 626,160 |
| Management and general | 56,685 | - | 56,685 |
| Fundraising | 40,491 | - | 40,491 |
| Total expenses | <u>1,457,211</u> | <u>-</u> | <u>1,457,211</u> |
| Changes in net assets | 90,391 | 16,000 | 106,391 |
| Net assets, beginning of year | <u>1,758,988</u> | <u>-</u> | <u>1,758,988</u> |
| Net assets, end of year | <u>\$ 1,849,379</u> | <u>\$ 16,000</u> | <u>\$ 1,865,379</u> |

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Program Services | Thrift Stores | Management and General | Fundraising | Total |
|--|---------------------|-------------------|---------------------------|------------------|---------------------|
| Salaries | \$ 218,861 | \$ 247,958 | \$ 17,409 | \$ 12,436 | \$ 496,664 |
| Payroll taxes and benefits | 23,713 | 19,902 | 1,886 | 1,347 | 46,848 |
| Total salaries and related | 242,574 | 267,860 | 19,295 | 13,783 | 543,512 |
| Advertising | 1,767 | 501 | 141 | 100 | 2,509 |
| Amortization | 716 | - | 57 | 41 | 814 |
| Bank charges | 990 | 13,064 | 79 | 56 | 14,189 |
| Insurance | 36,074 | 1,574 | 2,870 | 2,050 | 42,568 |
| Interest | 28,819 | 71,632 | 2,292 | 1,637 | 104,380 |
| Maintenance/repairs | 62,352 | 13,377 | 4,960 | 3,543 | 84,232 |
| Miscellaneous | 1,110 | - | 88 | 64 | 1,262 |
| Loss on disposal of fixed assets | 83 | 80 | 7 | 5 | 175 |
| Occupancy (including in-kind \$14,040) | - | 179,142 | - | - | 179,142 |
| Postage | 3,179 | - | 253 | 180 | 3,612 |
| Printing | 12,288 | 1,043 | 977 | 698 | 15,006 |
| Professional services | 38,220 | 11,850 | 3,040 | 2,172 | 55,282 |
| Specific assistance (including in-kind items \$174,811) | 150,181 | 7,533 | 11,946 | 8,533 | 178,193 |
| Supplies | 11,820 | 11,293 | 940 | 672 | 24,725 |
| Taxes | 8,505 | 32,581 | 676 | 483 | 42,245 |
| Training | 1,892 | 20 | 151 | 107 | 2,170 |
| Travel | 4,627 | 61 | 368 | 263 | 5,319 |
| Utilities | 35,230 | 10,750 | 2,802 | 2,002 | 50,784 |
| Vehicle assistance program | 21,249 | - | - | - | 21,249 |
| Total | 419,102 | 354,501 | 31,647 | 22,606 | 827,856 |
| Depreciation expense | 72,199 | 3,799 | 5,743 | 4,102 | 85,843 |
| Total expenses | \$ 733,875 | \$ 626,160 | \$ 56,685 | \$ 40,491 | \$ 1,457,211 |

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash Flows From Operating Activities

| | |
|--|----------------|
| Change in net assets | \$ 106,391 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 86,657 |
| Loss on disposal of fixed assets | 175 |
| Donated fixed assets | (48,203) |
| Vehicle assistance program | 21,249 |
| Change in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | (16,650) |
| Grants receivable | 32,054 |
| Prepaid and other asset | 12,561 |
| Other receivables | (15,000) |
| Security deposits | (700) |
| Increase in: | |
| Accounts payable and escrow deposits | 4,862 |
| Payroll liabilities | 8,481 |
| Net cash flow provided by operations | <u>191,877</u> |

Cash Flows From Investing Activities

| | |
|--|-----------------|
| Proceeds on equipment sale | 17 |
| Purchases of property and equipment | (53,679) |
| Net cash used in investing activities | <u>(53,662)</u> |

Cash Flows From Financing Activities

| | |
|--|-----------------|
| Principal payments on mortgage payable | (61,877) |
| Net cash flows used in financing activities | <u>(61,877)</u> |

Net increase in cash 76,338

Cash and Cash Equivalents

| | |
|-------------------|-------------------|
| Beginning of year | 311,933 |
| End of year | <u>\$ 388,271</u> |

Supplement Disclosure of Cash Flow Information

| | |
|--|-------------------|
| Cash payments for interest | <u>\$ 104,380</u> |
| Donated vehicles and equipment in use for operations | <u>\$ 1,895</u> |

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Good Shepherd Alliance, Inc. (GSA) is organized to provide persons in need with clothes, food, shelter, counseling and other necessary and proper services. At all times, the assets of the corporation will be dedicated to charitable purposes as stated in its articles of incorporation.

Significant Accounting Policies

The Accounting and reporting policies of GSA conform to generally accepted accounting principles and reporting practices appropriate for nonprofit and voluntary health and welfare organizations.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all financial instruments with a maturity of three months or less to be cash equivalents.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realized value.

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.

Income taxes: GSA was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3) on May 28, 1993 effective December 4, 1991. The Organization adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, for the year ended December 31, 2009. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance.

Donated time and materials: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received. A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's administrative and operating activities. The value of this donated time is not reflected in these financial statements in as much as no objective basis is available to measure the value of such services.

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Revenue recognition: Special events income and thrift stores receipts are reported as income as the income is received. Funds received in advance or for future periods are reported as unearned and deferred.

Building, equipment and depreciation: Equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed principally on a straight-line method over the estimated useful lives, which for equipment ranges from three to ten years and building and building improvements ranges from fifteen to forty years. Cost of major building and equipment additions are capitalized while normal repairs and maintenance are expensed as incurred.

Thrift stores inventory: Substantially all the items sold in The Good Shepherd Thrift Stores are donated to the organization. Due to the uncertainty of the value and inadequate inventorying upon receipt, items received are not reported as inventory. Upon sale or other realization of value, GSA records the net amount received as income.

Note 2. Donated Facilities

GSA maintains a donated facility for families in need of temporary housing. This facility is provided by a corporate organization. This organization has not determined the value of the donated facility.

GSA receives a donated retail facility for one of its thrift stores. The fair market value is used to determine the value of the retail space. In 2009, the donated retail space was valued at \$14,040.

Note 3. Donated Volunteer Services

Donated volunteer services requiring no specialized skills are not recorded in the financial statements. GSA has estimated the total donated hours were 19,198 as follows: the Sterling Thrift Store, 8,961; the Ashburn Hope's Treasures and Hope's Treasures Kids Store, 7,227; the other GSA programs 3,010. Estimated value/benefit to GSA is approximately \$149,006.

Note 4. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supportive services.

THE GOOD SHEPHERD ALLIANCE, INC.**NOTES TO FINANCIAL STATEMENTS****Note 5. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

| Description | Amount |
|----------------------------------|-------------------|
| Banking accounts: Checking | \$ 388,011 |
| Brokerage accounts: Money Market | 57 |
| Petty cash | 203 |
| Total cash and cash equivalents | <u>\$ 388,271</u> |

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2009, the combined bank balances exceeded the FDIC insurance coverage by \$131,737. Individual brokerage account balances are insured under SIPC private insurance coverage.

Note 6. Investments

Investments consist of the following:

| Description | Estimated Fair Value | 2009 Distributions |
|---|----------------------|--------------------|
| 10% interest Ashburn Commons, LC (an apartment real estate project) | Unknown | \$ - |
| 10% interest Chatham Green, LC (an apartment real estate project) | Unknown | - |
| | <u>\$ -</u> | <u>\$ -</u> |

During 2009 Ashburn Commons, LC and Chatham Green, LC did not make any partner distributions. These two investments were donated to GSA and are not readily marketable and a fair value cannot be determined.

Note 7. Land, Building and Equipment

A summary of the changes in land, building and equipment for the year ended December 31, 2009 is as follows:

| | Balance at 1/1/2009 | Additions | Deletions | Reclasses | Balance at 12/31/2009 |
|-------------------------------|---------------------|-------------------|-------------------|--------------|-----------------------|
| Land | \$ 2,067,700 | \$ - | \$ - | \$ - | \$ 2,067,700 |
| Buildings | 812,300 | - | - | - | 812,300 |
| Building improvements | 770,507 | 58,735 | - | (188,789) | 640,453 |
| Shelter furnishings/equipment | 16,977 | 18,179 | - | - | 35,156 |
| Office equipment | 14,491 | 620 | (8,300) | - | 6,811 |
| Thrift store equipment | 28,166 | 1,935 | (11,763) | - | 18,338 |
| Leasehold improvements | 6,200 | 2,623 | - | 188,789 | 197,612 |
| Vehicles | 3,380 | 500 | (1,985) | - | 1,895 |
| | <u>3,719,721</u> | <u>82,592</u> | <u>(22,048)</u> | <u>-</u> | <u>3,780,265</u> |
| Less accumulated depreciation | (230,163) | (85,843) | 20,285 | (388) | (296,109) |
| | <u>\$ 3,489,558</u> | <u>\$ (3,251)</u> | <u>\$ (1,763)</u> | <u>(388)</u> | <u>\$ 3,484,156</u> |

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Temporarily Restricted Assets

Temporarily restricted net assets are available at December 31, 2009 for the following purposes:

| <u>Purpose/Project</u> | <u>Amount</u> |
|----------------------------|------------------|
| Housing Funds Grants Match | <u>\$ 16,000</u> |

Note 9. Mortgages Payable

Mortgages payable consists of the following:

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| \$1,710,000 note payable to Middleburg Bank dated April 16, 2007, interest rate 4.86%, payable in 59 regular payments of \$9,929 with a final payment estimated at \$1,523,123 due on April 16, 2012. Collateralized by property located at 20684 Ashburn Road, Ashburn, Virginia. | \$ 1,603,268 |
| \$260,000 note payable to BB&T Bank dated March 25, 1998 modified October 28, 1998 and March 30, 2004; interest rate set at 5.750%, due in installments of \$1,648 to March, 2023. Collateralized by property located at 42762 Hebron Lane, Leesburg, Virginia. | 178,567 |
| \$296,036 note payable to BB&T Bank dated June 11, 2007 as a line of credit agreement, modified April 16, 2009, interest rate set at 6.625%, due in installments of \$2,613 commencing on May 11, 2009 to April 11, 2014. Collateralized by property located at 42762 Hebron Lane, Leesburg, Virginia. | <u>288,143</u> |
| | <u>\$ 2,069,978</u> |

Annual requirements to amortize the above debt are estimated as follows: 2010, \$64,106; 2011, \$67,616; 2012, \$1,546,757; 2013, \$26,726; 2014, \$243,592; thereafter \$121,181.

Note 10. Rental Income

On a short-term basis GSA provides subsidized rental housing. The rental houses are owned by GSA and rental income is temporary varying by each tenant.

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Fundraising Activities

Net fundraising activity is summarized below:

| <u>Activities</u> | <u>Amount</u> |
|-------------------|------------------|
| Boot Camp | \$ 1,725 |
| Golf Tournament | 5,801 |
| Heart of Gold | 2,583 |
| Walkathon | 9,682 |
| Wolf Breakfast | 2,167 |
| | <u>\$ 21,958</u> |

Note 12. Operating Leases

GSA leases store space for the Thrift Store in Sterling, Virginia. In 2009, GSA leased the facility for five (5) years beginning July 1, 2009 through June 30, 2014. The Organization is also responsible for an allocation of common area maintenance costs. Total occupancy costs for this facility for 2009 were \$160,452.

Future minimum office space lease commitment is as follows:

| <u>For the year ending:</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2010 | \$ 107,607 |
| 2011 | 110,836 |
| 2012 | 114,161 |
| 2013 | 117,586 |
| 2014 | 121,113 |
| | <u>\$ 571,303</u> |

GSA also occupies donated space in Ashburn, Virginia. The Organization is responsible for common area maintenance costs. Common area maintenance costs for this facility for 2009 were \$4,640.

Note 13. Vehicle Assistance Program

Vehicle assistance is part of the GSA six-step program for shelter residents. Donated vehicles are given to program participants who are showing accountability and progress in their six step program. Their case manager determines whether car ownership is possible and helpful for job retention. The value of vehicle assistance given to program participants in 2009 amounted to \$21,249.

Note 14. Subsequent Events

GSA has evaluated events and transaction subsequent to December 31, 2009 through May 17, 2010, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to December 31, 2009 through May 17, 2010 that require adjustment to, or disclosure in, the financial statements for the year ended December 31, 2009.