

Financial Statements

THE GOOD SHEPHERD
ALLIANCE, INC.

December 31, 2010

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
Robert Ohneiser, Esq., Vice Chair
Jim Baratta, Treasurer
Salvatore D'Agostino, Sr., Secretary

BOARD OF DIRECTORS

Jim Baratta	MaryJacqueline Fox
Bahman Batmanghelidj	Mark Gunderman
Salvatore D'Agostino, Sr.	Pastor David Norman
Steve D'Argenio	Robert Ohneiser, Esq.
David Cook, Esq.	James Thrash
Carleigh Wrobel	

ADVISORY BOARD

Deeda Calderazzo	Maureen Ready
Pastor Jim Cryer	Mark Schmitt
Brendan A. Leonard	Craig Stutzman
Joyce Trickett	

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
-------------------------------------	---

FINANCIAL STATEMENTS

Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 EAST MARKET STREET, SUITE 200

LEESBURG, VIRGINIA 20176

JEFFREY D. MITCHELL, CPA
W. THOMAS PARKER, CPA

SANDRA M. TONDREAU, CPA

PHONE: 703-777-4900
FAX: 703-771-3082
EMAIL: MCO@MCOCPA.COM

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, 2010 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leesburg, Virginia
April 18, 2011

Mitchell & Co., P.C.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

Cash deposits and cash equivalents	\$ 653,712
Accounts receivable	16,316
Grants receivable	31,614
Prepaid expenses	47,839
Security deposits/other	16,578
Land, buildings and equipment (net of accumulated depreciation of \$379,821)	<u>3,510,931</u>

Total assets \$ 4,276,990

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 10,156
Escrow deposits	4,855
Accrued payroll and payroll liabilities	8,766
Security deposits	2,275
Mortgages payable	<u>2,005,760</u>
Total liabilities	<u>2,031,812</u>

Net Assets

Unrestricted	1,931,178
Temporarily restricted	<u>314,000</u>
Total net assets	<u>2,245,178</u>

Total liabilities and net assets \$ 4,276,990

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Public Support			
Contributions (in-kind \$144,098)	\$ 328,731	\$ 100,000	\$ 428,731
Fundraising programs (less expenses of \$5,212)	17,469	-	17,469
CDBG Grant	13,118	-	13,118
CSBG Grant	13,770	-	13,770
Commonwealth of Virginia	64,321	-	64,321
Loudoun County, Virginia	60,000	198,000	258,000
Private grants	102,199	-	102,199
United Way	12,509	14,809	27,318
Total public support	612,117	312,809	924,926
Revenue			
Thrift Stores receipts (including voucher revenue of \$13,055; less costs of sales of \$3,432)	983,853	-	983,853
Rental income - subsidized housing	8,960	-	8,960
Partnership distributions	10,390	-	10,390
Other (including sales and donated vehicles \$23,269)	24,159	-	24,159
Total revenue	1,027,362	-	1,027,362
Net assets released from restriction	14,809	(14,809)	-
Total support and revenue	1,654,288	298,000	1,952,288
EXPENSES			
Program services - shelters	642,262	-	642,262
Thrift stores	856,212	-	856,212
Management and general	43,176	-	43,176
Fundraising	30,839	-	30,839
Total expenses	1,572,489	-	1,572,489
Changes in net assets	81,799	298,000	379,799
Net assets, beginning of year	1,849,379	16,000	1,865,379
Net assets, end of year	\$ 1,931,178	\$ 314,000	\$ 2,245,178

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services	Thrift Stores	Management and General	Fundraising	Total
Salaries	\$ 234,370	\$ 384,667	\$ 18,643	\$ 13,316	\$ 650,996
Payroll taxes and benefits	26,676	31,240	2,122	1,516	61,554
Total salaries and related	261,046	415,907	20,765	14,832	712,550
Advertising	181	3,545	14	10	3,750
Amortization	716	-	57	41	814
Bank charges	720	15,709	57	41	16,527
Insurance	21,754	1,276	1,730	1,236	25,996
Interest	54,369	54,245	4,325	3,089	116,028
Maintenance/repairs	22,699	15,631	1,806	1,289	41,425
Occupancy (including in-kind \$41,628)	-	234,382	-	-	234,382
Postage	3,654	2,027	291	208	6,180
Printing	16,490	1,286	1,312	937	20,025
Professional services	31,079	18,428	2,472	1,766	53,745
Specific assistance (including in-kind items \$107,255)	94,869	13,055	-	-	107,924
Supplies	9,134	14,231	727	519	24,611
Taxes	10,300	43,410	819	585	55,114
Training	3,781	725	301	215	5,022
Travel	3,539	2,290	282	201	6,312
Utilities	27,180	14,815	2,162	1,544	45,701
Vehicle assistance program	4,620	-	-	-	4,620
Total	305,085	435,055	16,355	11,681	768,176
Depreciation expense	76,131	5,250	6,056	4,326	91,763
Total expenses	\$ 642,262	\$ 856,212	\$ 43,176	\$ 30,839	\$ 1,572,489

See Notes to Financial Statements.

THE GOOD SHEPHERD ALLIANCE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash Flows From Operating Activities

Change in net assets	\$ 379,799
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	92,577
Donated fixed assets	(31,540)
Vehicle assistance program	4,620
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	334
Grants receivable	(18,523)
Prepaid and other asset	(14,772)
Other receivables	15,000
Security deposits	(9,208)
Increase (decrease) in:	
Accounts payable	1,352
Escrow deposits	1,466
Payroll liabilities	(26,722)
Net cash flow provided by operations	<u>394,383</u>

Cash Flows From Investing Activities

Purchases of property and equipment	<u>(64,724)</u>
Net cash used in investing activities	<u>(64,724)</u>

Cash Flows From Financing Activities

Principal payments on mortgage payable	<u>(64,218)</u>
Net cash flows used in financing activities	<u>(64,218)</u>

Net increase in cash 265,441

Cash and Cash Equivalents

Beginning of year	388,271
End of year	<u>\$ 653,712</u>

Supplement Disclosure of Cash Flow Information

Cash payments for interest	<u>\$ 116,028</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*. 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.

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.

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.

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.

Advertising Costs: Advertising costs are expensed as incurred. Total advertising costs for 2010 were \$3,750.

Note 2. Donated Facilities

GSA maintained a donated facility for families in need of temporary housing until March 2010. This facility was provided by a corporate organization. This organization did not determine 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 2010, the donated retail space was valued at \$32,400.

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 12,778 as follows: the Sterling Hope's Treasures Store, 5,897; the Ashburn Hope's Treasures and Hope's Treasures Kids Store, 5,749; Leesburg Hope's Treasures Store, 202; and other GSA programs, 930. Estimated value/benefit to GSA is approximately \$57,098.

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.

Note 5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Description	Amount
Banking accounts: Checking	\$ 650,559
Brokerage accounts: Money Market	1,940
Petty cash	1,213
Total cash and cash equivalents	<u>\$ 653,712</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2010, the combined bank balances exceeded the FDIC insurance coverage by \$350,852. Individual brokerage account balances are insured under SIPC private insurance coverage.

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Investments

Investments consist of the following:

Description	Estimated Fair Value	2010 Distributions
10% interest Ashburn Commons, LC (an apartment real estate project)	Unknown	\$ 10,390
10% interest Chatham Green, LC (an apartment real estate project)	Unknown	-
	<u>\$ -</u>	<u>\$ 10,390</u>

During 2010 Ashburn Commons, LC made a partner distribution of \$10,390 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, 2010 is as follows:

Description	Balance at 1/1/2010	Additions	Deletions	Balance at 12/31/2010
Land	\$ 2,067,700	\$ -	\$ -	\$ 2,067,700
Buildings	812,300	-	-	812,300
Building improvements	640,453	1,367	-	641,820
Settlement fees	31,975	-	-	31,975
Shelter furnishings/equipment	35,156	-	(10,428)	24,728
Office equipment	6,811	12,506	-	19,317
Thrift store equipment	18,338	51,453	(3,251)	66,540
Leasehold improvements	197,612	8,270	-	205,882
Vehicles	1,895	23,270	(4,675)	20,490
	<u>3,812,240</u>	<u>96,866</u>	<u>(18,354)</u>	<u>3,890,752</u>
Less accumulated depreciation	<u>(300,376)</u>	<u>(92,577)</u>	<u>13,132</u>	<u>(379,821)</u>
	<u>\$ 3,511,864</u>	<u>\$ 4,289</u>	<u>\$ (5,222)</u>	<u>\$ 3,510,931</u>

Note 8. Temporarily Restricted Assets

Temporarily restricted net assets are available at December 31, 2010 for the following purposes:

Purpose/Project	Amount
Housing Funds matching grant	\$ 16,000
Loudoun County housing funds	198,000
Country Fair	25,000
Housing donation	75,000
	<u>\$ 314,000</u>

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

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.	\$ 1,561,823
\$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.	168,166
\$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>275,771</u>
	<u>\$ 2,005,760</u>

Annual requirements to amortize the above debt are estimated as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 67,616
2012	1,542,907
2013	26,726
2014	244,279
2015	12,651
Thereafter	<u>111,581</u>
	<u>\$ 2,005,760</u>

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:

Activities	Amount
Golf tournament	\$ 12,581
Walk-a-thon	3,686
Youth committee fundraisers/other	1,202
	<u>\$ 17,469</u>

Note 12. Operating Leases

Sterling, Virginia: GSA leases store space for the Thrift Store in Sterling, Virginia. In 2009, GSA leased the facility for five (5) years from 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 2010 were \$164,814.

Leesburg, Virginia: GSA leases store space for the Thrift Store in Leesburg, Virginia. In 2010, GSA leased the facility for seven (7) years from October 1, 2010 through October 31, 2017. The facility is to be provided in two phases. The first phase was delivered on October 1, 2010 and the second phase is expected in April 2011. The Organization is also responsible for an allocation of common area maintenance costs. The landlord has donated \$100,000 of the rent and common area maintenance costs to be received through reduced lease and common area payments during the early portion of the lease. Total donated costs in 2010 were \$9,228. Total occupancy costs for this facility for 2010 were \$18,471.

Future minimum office space lease commitment for thrift store space is as follows:

For the year ending:	Sterling	Leesburg	Total
2011	\$ 110,836	\$ 78,797	\$ 189,633
2012	114,161	186,970	301,131
2013	117,586	192,579	310,165
2014	121,113	198,356	319,469
2015	-	204,307	204,307
Thereafter	-	390,161	390,161
	<u>\$ 463,696</u>	<u>\$ 1,251,170</u>	<u>\$ 1,714,866</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 2010 were \$9,470.

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 2010 amounted to \$4,620.

THE GOOD SHEPHERD ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash deposits and cash equivalents, accounts receivable, grants receivable, accounts payable, escrow deposits, and mortgages payable. The recorded values of these assets (excluding mortgages payable) approximate their fair values based on their short-term nature. The recorded values of mortgages payable approximate their fair value based on interest rates in effect at the time at which the mortgage was entered into.

Note 15. Subsequent Events

GSA has evaluated events and transaction subsequent to December 31, 2010 through April 18, 2011, 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, 2010 that require adjustment to, or disclosure in, these financial statements.