

THE LAMB CENTER

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**GILLILAND & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
7700 LEESBURG PIKE
SUITE 402B
FALLS CHURCH, VA 22043**

THE LAMB CENTER

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Gilliland
& ASSOCIATES, PC
Certified Public Accountants

7700 Leesburg Pike, Suite 402B
Falls Church, VA 22043
Phone 703.448.9121
Fax 703.893.6485
dnngg@gillilandcpa.com
www.gillilandcpa.com

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Lamb Center
Fairfax, Virginia

We have audited the accompanying statements of financial position of The Lamb Center ("the Center") as of June 30, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of The Lamb Center. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Lamb Center as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gilliland & Associates, P.C.

Gilliland & Associates, P. C.
Certified Public Accountants
Falls Church, Virginia
November 9, 2012

THE LAMB CENTER
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 232,766	\$ 126,909
Prepaid expenses	2,903	7,412
Short term investment	1,010	1,000
Total current assets	<u>236,679</u>	<u>135,321</u>
Total assets	<u><u>\$ 236,679</u></u>	<u><u>\$ 135,321</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 154	\$ 5,052
Refundable deposits		18,130
Accrued expenses	6,472	15,746
Total current liabilities	<u>6,626</u>	<u>38,928</u>
Net assets:		
Unrestricted	230,053	96,393
Total net assets	<u>230,053</u>	<u>96,393</u>
Total liabilities and net assets	<u><u>\$ 236,679</u></u>	<u><u>\$ 135,321</u></u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
REVENUE:		
Contributions	\$ 621,367	\$ 520,673
Interest	582	-
Total revenue	<u>621,949</u>	<u>520,673</u>
 EXPENSES:		
Program	360,596	359,123
Management and general	42,995	35,190
Fundraising	84,698	78,673
Total expenses	<u>488,289</u>	<u>472,986</u>
 Change in unrestricted net assets	<u>\$ 133,660</u>	<u>\$ 47,687</u>
 CHANGE IN NET ASSETS	 \$ 133,660	 \$ 47,687
 NET ASSETS, BEGINNING OF YEAR	 96,393	 48,706
 NET ASSETS, END OF YEAR	 <u><u>\$ 230,053</u></u>	 <u><u>\$ 96,393</u></u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Wages and Salaries	\$ 191,352	\$ 12,523	\$ 46,585	\$ 250,460	\$ 179,772	\$ 13,000	\$ 44,260	\$ 237,032
Building Expenses	121,831	7,140	7,140	136,111	126,907	7,438	7,438	141,783
Compassion and Caring Program	26,595	-	-	26,595	27,352	-	-	27,352
Fundraising Events	-	-	14,438	14,438	-	-	15,146	15,146
Professional Fees	-	14,779	-	14,779	10,062	-	-	10,062
Supplies	1,182	4,645	5,215	11,042	-	504	-	504
Insurance	7,563	840	-	8,403	5,109	1,987	-	7,096
Office Expenses	6,005	1,565	369	7,939	-	10,279	-	10,279
Telephone	5,786	723	723	7,232	6,268	348	348	6,964
Printing and Copying	52	-	6,115	6,167	1,986	-	7,946	9,932
Postage and Shipping	230	-	4,113	4,343	971	-	3,883	4,854
Equipment Rental and Maintenance	-	780	-	780	-	1,233	-	1,233
Interest Expense	-	-	-	-	-	750	-	750
Total Expenses	<u>\$ 360,596</u>	<u>\$ 42,995</u>	<u>\$ 84,698</u>	<u>\$ 488,289</u>	<u>\$ 358,426</u>	<u>\$ 35,539</u>	<u>\$ 79,021</u>	<u>\$ 472,986</u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 133,660	\$ 47,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Prepaid expenses	4,510	(1,837)
Investments	(10)	(1,000)
Accounts payable	(4,898)	899
Refundable deposits	(18,131)	2,350
Accrued expenses	(9,274)	738
Net cash provided by operating activities	<u>105,857</u>	<u>48,837</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 105,857	 48,837
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>126,909</u>	 <u>78,072</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 232,766</u></u>	 <u><u>\$ 126,909</u></u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

A. NATURE OF ACTIVITIES

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 other 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 include: counseling, showers, laundry, simple medical assistance, meals, phones and an address for guests to receive mail.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements of the Center have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

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.

Financial statement presentation – The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2012 and 2011, the Center had no temporarily or permanently restricted net assets.

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

Investments – Short term investments consists of certificates of deposit with an original maturity of twelve months or less.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. The Center 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 the purpose of the restriction is accomplished, temporarily

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions

Contributed services – No amounts have been reflected in the financial statements for donated services. The organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Center in the performance of its exempt activities, but these services do not meet the criteria for recognition as contributed services. The organization receives more than 3,000 volunteer hours per year.

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 \$500. The fair value of donated assets at the date of the gift is similarly capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Income taxes – The Center is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Cost of joint activities – Statement of Position 98-2, “Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising”, establishes accounting standards for 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 pronouncement 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.

Functional allocation of expenses – The Center’s expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the areas benefited.

C. INVESTMENTS

The fair values of short-term investments totaled \$1,010 and \$1,000 at June 30, 2012 and 2011, respectively.

D. PROPERTY AND EQUIPMENT

Certain property and equipment, which included mostly desks and chairs, were donated to the Center. Given the age and condition of the fixed assets, their fair value was below the amount required for capitalization as described in Footnote B. Therefore, no property and equipment is shown on the statements of financial position as of June 30, 2012 and 2011.

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

E. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Lamb Center to concentrations of credit risk consist of cash in the bank. The Center maintains its cash accounts in two financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC").

The FDIC insures cash balances of interest bearing accounts up to \$250,000 at each institution. At June 30, 2012 and 2011, the Center had no uninsured cash balances.

F. LEASING ARRANGEMENTS

The Center signed a lease agreement for space in June 2010. The lease term commenced on October 1, 2010 and ends on September 30, 2015. However, the lease can be terminated early by either party giving written notice of termination to the other at least 9 months prior to such early termination date. The lease is paid in monthly installments of \$6,523.84 due on the first day of each month. Rent expense for the years ended June 30, 2012 and 2011 totaled \$78,286 each year.

Future minimum lease payment for the years ending June 30:

2013	\$ 80,048
2014	82,449
2015	84,922
2016	<u>21,386</u>
	\$ <u>268,805</u>

G. RELATED PARTY TRANSACTIONS

During 2012 and 2011, Truro Church, the original founder, contributed approximately \$30,000 and \$40,000 respectively to The Lamb Center.

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

H. LINE OF CREDIT

The Lamb Center has a \$45,000 line of credit with First Virginia Community Bank of Fairfax, Virginia; any principal and unpaid accrued interest is due on March 8, 2013. Interest is payable monthly at prime plus 2 % with a minimum rate of 6% per annum.

As of June 30, 2011 the center had a \$100,000 line of credit with the John Marshall Bank of Alexandria, Virginia; with interest payable at a minimum rate of 6% annually. The Loan was guaranteed by the Truro Church and was payable monthly. The loan agreement expired December 18, 2011. As of June 30, 2012 and 2011, the outstanding balance on the lines of credit was zero and zero respectively.

I. REFUNDABLE DEPOSIT

The Lamb Center performs bookkeeping functions and holds cash in trust for the Dynamic Youth Ministries. The total amount of refundable deposits held in trust for the Dynamic Youth Ministries as of June 30, 2012 and 2011 was \$0 and \$18,130 respectively.

J. EVALUATION OF SUBSEQUENT EVENTS

The organization has evaluated subsequent events through November 9, 2012, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the Company as of that date.