

THE LAMB CENTER

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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THE LAMB CENTER

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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, 2011 and 2010 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, 2011 and 2010, 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.

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Certified Public Accountants
Falls Church, Virginia
September 30, 2011

THE LAMB CENTER
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127,909	\$ 78,072
Prepaid expenses	7,412	5,575
Total current assets	<u>135,321</u>	<u>83,647</u>
 Total assets	 <u>135,321</u>	 <u>83,647</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	5,052	4,153
Refundable deposits	18,130	15,780
Accrued expenses	15,746	15,008
Total current liabilities	<u>38,928</u>	<u>34,941</u>
 Net assets:		
Unrestricted	96,393	48,706
Total net assets	<u>96,393</u>	<u>48,706</u>
 Total liabilities and net assets	 <u>\$ 135,321</u>	 <u>\$ 83,647</u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
REVENUE:		
Contributions	520,673	426,923
Released from restrictions	-	18,141
Total revenue	<u>520,673</u>	<u>445,064</u>
EXPENSES:		
Program	359,123	312,194
Management and general	35,190	45,634
Fundraising	78,673	50,113
Total expenses	<u>472,986</u>	<u>407,941</u>
Change in unrestricted net assets	<u>47,687</u>	<u>37,123</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	18,141
Net assets released from restriction	-	(18,141)
Change in temporarily restricted ner assets	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	47,687	37,123
NET ASSETS, BEGINNING OF YEAR	48,706	11,583
NET ASSETS, END OF YEAR	<u><u>96,393</u></u>	<u><u>48,706</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, 2011

	2011				2010			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Compassion and Caring Program	\$ 27,352	\$ -	\$ -	\$ 27,352	\$ 20,811	\$ -	\$ -	\$ 20,811
Supplies	-	504	-	504	64	-	-	64
Telephone	6,268	348	348	6,964	7,137	891	891	8,919
Postage and Shipping	971	-	3,883	4,854	119	-	2,119	2,238
Equipment Rental and Maintenance	-	1,233	-	1,233	-	585	-	585
Printing and Copying	1,986	-	7,946	9,932	678	-	7,629	8,307
Interest Expense	-	750	-	750	-	250	-	250
Fundraising Events	-	-	15,146	15,146	-	-	6,626	6,626
Professional Fees	10,062	-	-	10,062	12,837	-	-	12,837
Insurance	5,109	1,987	-	7,096	6,220	2,487	-	8,707
Office Expenses	-	10,279	-	10,279	953	8,574	-	9,527
Wages and Salaries	179,772	13,000	44,260	237,032	151,026	18,878	18,878	188,782
Building Expenses	127,603	7,090	7,090	141,783	112,350	13,969	13,969	140,288
Total Expenses	\$ 359,123	\$ 35,190	\$ 78,673	\$ 472,986	\$ 312,195	\$ 45,634	\$ 50,112	\$ 407,941

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 47,687	\$ 37,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Prepaid expenses	(1,837)	224
Accounts payable	899	(15,992)
Refundable deposits	2,350	15,780
Other assets	-	-
Accrued expenses	738	4,902
Net cash provided by operating activities	<u>49,837</u>	<u>42,037</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 49,837	 42,037
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>78,072</u>	 <u>36,035</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$127,909</u>	 <u>\$ 78,072</u>

The accompanying notes are an integral part of these financial statements

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

A. ORGANIZATION

The Lamb Center (the “Center”) is organized under the laws of State 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, 2011 and 2010, the Center had no temporarily or permanently restricted net assets.

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

Cash and cash equivalents – For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and all highly liquid investments with a maturity of three months or less at June 30, 2011 and 2010.

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 exempt from federal and state income taxes under Internal Revenue Code Section 501 (c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

Advertising and costs – Advertising costs are expensed as incurred. For the years ended June 30, 2011 and 2010, advertising costs were zero.

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.

Donated Services – Pursuant to the guidelines in SFAS 116, no amounts have been recorded for donated services because the requirements for recognition have not been met; however, a substantial number of volunteers have donated significant amounts of time to the organization’s program services.

C. 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, 2011 and 2010.

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

D. 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 account in a financial institution that is insured by the Federal Deposit Insurance Corporation ("FDIC").

The FDIC insures cash balances of interest bearing accounts up to \$250,000 at each institution and certain investment accounts are insured up to \$500,000 under the Securities Investment Protection Corporation. At June 30, 2011 and 2010, the Center had no uninsured cash balances.

For the years ended June 30, 2011 and 2010, Truro Church, who is also the original founder of The Lamb Center, contributed 8% and 9% respectively of total contributions. If this revenue source were to cease or be reduced, it would significantly affect the Center's operations.

E. OFFICE SPACE

The Center subleased space from Truro Church until September 30, 2010. Subsequently, it leased directly from the building owner. The lease term 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 will be paid in monthly installments of \$6,524 due on the first day of each month. Rent expense for the years ended June 30, 2011 and 2010 totaled \$78,286 and \$78,412 respectively.

Future minimum lease payment for the years ending June 30:

2012	\$ 78,288
2013	80,049
2014	82,451
2015	<u>20,764</u>
	\$ <u>261,552</u>

F. RELATED PARTY TRANSACTIONS

During 2011 and 2010, Truro Church, the original founder, contributed approximately \$40,000 and \$40,000 respectively to The Lamb Center.

THE LAMB CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

G. LINE OF CREDIT

The Lamb Center has a \$100,000 line of credit with the John Marshall Bank of Alexandria, Virginia. Interest is payable at a minimum rate of 6% annually. The Loan is guaranteed by the Truro Church and is payable monthly. The loan agreement is scheduled to expire December 18, 2011. As of June 30, 2010 and 2011, the outstanding balance on the line of credit was zero and zero respectively.

H. 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, 2011 and 2010 was \$18,130 and \$15,780 respectively.

I. SUBSEQUENT EVENT

On April 7, 2009 the City of Fairfax's Board of Zoning Appeals voted by a margin of 3-2 in favor of the Lamb Center to continue its operations. The appeals were made in response to two notices of violation and one determination made by Zoning Administrator that declared the Center was operating in violation of city zoning laws. Following the decision, the City and Zoning Administrator filed a suit against the Board of Zoning Appeals to reverse their decision which was in favor of the Lamb Center and included the Lamb Center in this suit. The judge ruled in favor of the city. The Lamb Center is vigorously appealing the decision to the Virginia Supreme Court. Meanwhile, The Lamb Center is actively looking for a new location for its operations. If a new location is established by the next court date, the case will be dismissed.

J. GOING CONCERN

The Lamb Center has filed an appeal with the Virginia Supreme Court against the City of Fairfax and the Zoning Administrator regarding the appellate court's ruling against their operations at the current location. The consequences of an unfavorable outcome of the litigation may be that The Lamb Center may not be able to continue to operate, as it presently does, at the existing location without further approval by the City. Some specific services may have to be curtailed until The Lamb Center could relocate its place of operation. An adverse decision may also accelerate the expenses and capital expenditures involved in such a relocation. Management of The Lamb Center cannot predict whether there will be a material financial consequence resulting from an adverse court ruling. Management will, as necessary, undertake timely actions to mitigate any negative financial impacts arising from an adverse Court ruling.