THE LAMB CENTER

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2014

GILLILAND & ASSOCIATES, P.C.
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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 financial statements of The Lamb Center (a nonprofit organization,) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance 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
December 29, 2014

THE LAMB CENTER
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	$ 149,030
Investments - Reserved	200,000
Investments	26,970
Accounts receivable	296
Inventory	4,000
Prepaid expenses	6,296
Total current assets	386,592
Fixed assets:	
Land - preacquisition	110,762
Leasehold improvements	27,278
Equipment	1,092
Accumulated depreciation	(3,175)
Total fixed assets	135,957
Intangible and other long-term assets:	
Security deposits	5,000
	5,000
Total assets	$ 527,549
LIABILITIES AND NET ASSETS	
Current liabilities:	
Payroll liabilities	$ 46,077
Accounts payable	21,141
Deferred rent, current	3,761
Total current liabilities	70,979
Long-term liabilities:	
Due to supporting organization	5,000
Deferred rent, net of current	1,096
Total long-term liabilities	6,096
Total liabilities	77,075
Net assets:	
Unrestricted	250,474
Unrestricted - Reserved	200,000
Total net assets	450,474
Total liabilities and net assets	$ 527,549

The accompanying notes are an integral part of these financial statements.
See accompanying auditors′ report.

THE LAMB CENTER
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR-ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Contributions	$ 646,324	$ 13,713	$ 660,037
In-kind donations	416,574		416,574
Local government grants	55,000		55,000
Interest & Dividends	2,452		2,452
Gain on sale of equities	232		232
Total revenues	1,120,582	13,713	1,134,295
Net assets released from restrictions	13,713	(13,713)	-
OPERATING EXPENSES:			
Program	792,773		792,773
Management and general	140,926		140,926
Fundraising	77,171		77,171
Total expenses	1,010,870	-	1,010,870
Change in net assets from operations	$ 123,425	$ -	$ 123,425
CHANGE IN NET ASSETS	$ 123,425	$ -	$ 123,425
NET ASSETS, BEGINNING OF YEAR	327,049	-	327,049
NET ASSETS, END OF YEAR	$ 450,474	$ -	$ 450,474

The accompanying notes are an integral part of these financial statements.
See accompanying auditors' report.

THE LAMB CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR-ENDED JUNE 30, 2014

	Program	Management and general	Fundraising	Total
Personnel costs	$ 282,565	$ 55,860	$ 31,751	$ 370,176
Supplies	253,870	7,465		261,335
Facilities	146,719	2,360	744	149,823
Professional fees	62,400	55,444		117,844
Compassion and caring program	42,800			42,800
Printing and copying	614		19,296	19,910
Fundraising events			18,648	18,648
Insurance		10,338		10,338
Office expenses		5,832	3,214	9,046
Postage and shipping		3,151	3,042	6,193
Telephone	3,805	476	476	4,757
Total expenses	$ 792,773	$ 140,926	$ 77,171	$ 1,010,870

THE LAMB CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 123,425
Depreciation	2,483
Interest received on investments	(1,970)
In-kind goods inventory	(4,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts receivable	1,421
Prepaid expenses	(1,586)
Accounts payable	18,263
Deferred rent	(1,288)
Payroll liabilities	14,174
Net cash provided by operating activities	150,922
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of fixed assets	$ (1,092)
Preacquisition costs paid for new location	(110,762)
Certificate of deposit purchased	(225,000)
Net cash provided (used) by investing activities	(336,854)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(185,932)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	334,962
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 149,030

INTEREST PAID	$ -
INCOME TAXES PAID	$ -

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 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 from its facility in Fairfax City, Virginia include: counseling, showers, laundry, simple medical assistance, meals, phones and an address for guests to receive mail.

Funding for these activities comes primarily from cash and in-kind donations received from individuals, businesses, religious and other organizations within the regional communities at large. The Center also makes use of government grants to advance select programs of public concern.

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, 2014, 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 hand, cash deposited with financial institutions, and all highly liquid investments with an original maturity of three-months or less.

Contributions receivable – Management does not recognize individual promises to give until the money is received.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories – Management values inventory of contributed supplies on-hand using an estimated flea-market value, which takes the condition and likely method of disposition into account.

Investments – Equity securities are held at their original cost, or market value at the time of contribution, and sold as soon as practicable thereafter. Cash flows from these sales are reported as being from operating activities under FASB ASC 230-10-45-21A. Prior to the effective date of ASU 2012-05, they were being reported as from investing activities, which would have caused cash flows from operating activities to be reduced, and investing activities to be increased, by the $9,170 received from sales of donated equities in fiscal-2014. The Center held no securities at June 30, 2014.

Investments held at June 30, 2014 constitute a 30-month certificate of deposit with the Center's bank, purchased in July 2013 for $225,000 and the interest capitalized monthly. The penalty for an early-withdrawal is 6-months of interest, which will be waived once, and the CD will automatically renew if advance notice is not provided. Interest is initially earned at 0.95% (compounded daily,) and the Center has the right to bump-up their rate once during the term without extending the maturity date.

Management anticipates cashing-out the certificate to help fund their land acquisition (see Note J.)

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 $1,000. 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.

		Depreciation	
Asset class	Life	Current	Accumulated
Computer equipment	5-years	127	127
Guest area improvement	10-years	1,983	2,644
Structural fixture	20-years	373	404
		2,483	3,175

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of activities.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued) – Certain property and equipment, which included mostly desks and chairs, were donated to the Center when it first began operations. Given the age and condition of the fixed assets, and because they were received after use by a related organization (founding party described further in Note I,) no value was recorded for these assets.

Preacquisition costs – Payments to acquire real property are capitalized as incurred if the costs are identifiable to the specific property, the costs would be capitalized if the property were already owned, and such acquisition is probable.

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's 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.

The Center estimates the value for in-kind contributions of meals and toiletries based on the number of guests served. For the year-ended June 30, 2014, the Center estimates providing their guests with $227,152 worth of meals and other services, and $17,160 of other sundries.

Contributed services – Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or 2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Services recognized by the Center include lawyers provided to the guests, repairs of service equipment, accounting services utilized by management, storage facilities provided by a local church, and lawyers, appraisers, and other professionals involved in the Center's efforts to purchase a new location for their facilities.

	Program	Administrative	Fundraising
Professional fees – Legal Services	$ 62,400	$ 0	$ 0
Professional fees – Other Services	5,000	37,863	0
Facilities – Storage	2,947	38	15
	$ 70,347	$ 37,901	$ 15

There was also $60,000 of legal services capitalized for preacquisition costs.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services (continued) – Additionally, 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 Center received more than 14,170 volunteer hours in the year-ended June 30, 2014.

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.

Cost of joint activities – FASB ASC 958-720-45-29 describes 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 standard 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.

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.

Annual information returns for the years ending June 30, 2013, 2012, and 2011 are open to examination by the IRS, generally for three-years after they were filed.

C. DESIGNATED RESERVES

In June 2013 the Board resolved to designate $200,000 of available cash as reserved for the purpose of funding the Center's relocation. In July 2013 these funds were invested via the purchase of a 30-month certificate of deposit. The reserved amount was left open for Board-directed additions of future annual surpluses.

D. CONCENTRATION OF CREDIT RISK & ECONOMIC DEPENDENCY

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

D. CONCENTRATION OF CREDIT RISK & ECONOMIC DEPENDENCY (continued)

The FDIC insures cash balances of interest bearing accounts up to $250,000 at each institution. Uninsured cash balances at June 30, 2014 were $129,766 and may have been higher or lower throughout the year based on interim daily balances.

The Center's efforts revolve around supporting the needs of those in Fairfax County, Virginia and the surrounding area. Similarly, most financial and in-kind contributions are received from this region.

Because 95% of support is from contributions, including one-third from in-kind donations, a shift in charitable giving would have a significant impact on the Center's operations. In such a situation, the Board would direct that services be provided commensurate with donation levels.

E. LINE OF CREDIT

The Lamb Center had a $45,000 revolving line of credit with First Virginia Community Bank of Fairfax, Virginia; any principal and unpaid accrued interest was due on March 8, 2013. Interest is payable monthly at prime plus 2% with a minimum rate of 6% per annum. In August 2013, this line was retroactively extended until August 28, 2014 with a $100,000 limit and otherwise similar terms. The line is for ensuring available working capital, is secured by all business assets of the Center, and requires maintaining a minimum 1.25 debt service coverage ratio.

As of June 30, 2014, the outstanding balance on the line of credit was zero.

The Center also has a $3,000 unsecured revolving line of credit with Citibank, under the Staples Card brand, used for making purchases of supplies. Interest and principal (subject to minimum amounts) is payable monthly at 23.99% after a grace period if the prior month's balance is paid in full. The outstanding balance at June 30, 2014 is included in accounts payable.

F. PAYROLL LIABILITIES

The Center pays employees twice a month on the 15th and end-of-month for the pay periods ending on the 5th and 20th (respectively.) Amounts earned in June and paid the following July are detailed on the table below.

F. PAYROLL LIABILITIES (continued)

Paid sick and vacation leaves are awarded on a tiered-structure, based on the amount of time employed by the Center and classification as full or part-time. All full-time employees had exceeded the maximum amount of hours permitted to vest and carryover as of June 30, 2014. However, in March 2014 the Board resolved to temporarily repeal the limit effective June 30, 2013. All amounts in excess were paid to employees July 15, 2014 and the limit was otherwise reinstated thereafter.

No amount is reported for sick leave, as it is permitted to accumulate without limit, but does not vest, and management does not expect any employees to exceed the amount accrued for that year before leaving the Center.

	Vacation		Sick
Accrued balance	$ 38,079		$ 41,586
Valuation allowance	(0)		(41,586)
	38,079		-0-
Pay period accrual	7,762		
Retirement contributions	236	[see Note G]	
Balance as Reported	$ 46,077		

G. RETIREMENT CONTRIBUTIONS

On April 17, 2013 the Center's Board approved enrollment in the Anglican Church in North America (ACNA) Retirement Plan and Trust effective July 1, 2013. The ACNA Retirement Plan and Trust operates under IRC §403(b) as a qualified defined contribution plan. The Center's Board approved a fully vesting employer contribution of 4% to all full-time employees, paid with each semi-monthly pay period. On June 25, 2014, the Board approved a new personnel manual expanding coverage to all eligible employees.

Due primarily to the timing of this change in policy, not all contributions were remitted by year-end, and these amounts are included in payroll liabilities.

H. LEASING ARRANGEMENTS

The Center signed a lease modification to assume space in July 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 (with a 3% per annum escalation on each

H. LEASING ARRANGEMENTS (continued)

anniversary beginning October 1, 2012) due on the first day of each month. Rent expense for the year-ended June 30, 2014 totaled $81,161.

Deferred rent represents the additional cost of leasing the property, over the payments made, as amortized on the straight-line method over the term of the agreement.

Future minimum lease payments for the years ending June 30:

2015	84,922
2016	21,386
	$ 106,308

Under the triple-net lease terms, the Center also paid for the landlord's property insurance ($1,596) and real estate taxes ($7,207) as additional rent. The landlord is also afforded a security interest in all property of the Center located on the premises toward the rent, additional rent, and other payments due. Included among the standard restrictions and covenants required by the lease are minimum insurance coverages and conditions upon the Center.

I. RELATED PARTY TRANSACTIONS

Upon assuming the lease on October 1, 2010 from the Truro Church, the $5,000 security deposit was left with the landlord to be used by the Center. However, any remaining deposit will be returned to the Truro Church upon the Center's departure from their current location. There has been no change to this balance as of June 30, 2014.

During fiscal-2014, Truro Church, contributed approximately $19,000 to The Lamb Center.

Truro Church is the original founder. It retained the exclusive powers of appointing new directors to the Center's Board and making amendments to the Center's Bylaws until the Bylaws were amended to remove these provisions in October 2014.

Legal services were received from staff of an outgoing Board member's company, and professional services were received from a company owned by the son of a Board member, related to the Center's efforts to purchase a new location during the year-ended June 30, 2014. No fees were charged for the work performed.

Accounts receivable consists of amounts loaned to employees on a short-term basis, with repayments made through payroll deductions.

J. CONTINGENT LIABILITIES & COMMITTMENTS

On March 28, 2014, the Center entered into a contract to purchase real estate for their new location. The Center will pay all investigation, closing, and transfer costs other than deed preparation and the seller's attorney, and the base contract price is broken-down as follows:

Cash deposit, included in preacquisition costs	$ 25,000
Minimum cash due on settlement	475,000
Additional cash due on settlement or to be financed	1,000,000
	$ 1,500,000

If the seller finances any portion of the acquisition price, it shall be by a 15-year note payable monthly with no prepayment penalty, bearing 6.25% interest, and secured by the property.

The purchase contract is contingent upon successful title search, completion of a feasibility survey within 60-days, and being granted a special use permit by the City of Fairfax to operate a social service delivery establishment. Settlement is to occur within 45-days of receiving the special use permit, which was granted by the Board of Zoning Appeals on November 18, 2014, or within 14-months of signing the contract. The seller may grant up-to three 1-month extensions of this outside settlement deadline in exchange for additional nonrefundable fees.

In July 2014, the Center began a capital fund campaign to raise additional money and pledges toward the land purchase and construction of a facility at their new location.

K. EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through December 29, 2014, the date on which the financial statements were available to be issued. No events, beyond those listed previously and summarized below, have occurred which would have a material effect on the financial statements of the Center as of that date.

- Note F – relating to reinstatement of the accrued leave limitation
- Note I – relating to removal of founder's powers from Bylaws
- Note J – relating to the status of purchase contract