

THE LAMB CENTER

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

THE LAMB CENTER
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YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 from 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, 2018, 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 14, 2018

FINANCIAL STATEMENTS

THE LAMB CENTER
Statement of Financial Position
June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	72,914
Accounts receivable		347
Investments - donated		11,458
Inventory		11,009
Prepaid expenses		14,710
		14,710
Total current assets	\$	110,438

Noncurrent Assets:

Property and Equipment:

Land	\$	1,830,602
Building and improvements		2,440,088
Furniture, fixtures, and equipment		142,832
Less: Accumulated depreciation		(163,673)
		(163,673)
Net property and equipment	\$	4,249,849

Other Long-Term Assets:

Investments	\$	906,853
Security deposits		470
		470
Total other long-term assets	\$	907,323

Total noncurrent assets	\$	5,157,172
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Total assets	\$	5,267,610
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	1,131
Accrued wages		23,166
Compensated absences		38,473
Accrued employee benefits		4,933
		4,933
Total liabilities	\$	67,703

Net Assets:

Unrestricted net assets	\$	5,199,907
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Total net assets	\$	5,199,907
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Total liabilities and net assets	\$	5,267,610
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The accompanying notes are an integral part of these financial statements.

THE LAMB CENTER
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>
Revenues, gains, and other support:	
Contributions	\$ 1,090,545
Contributions in-kind	445,643
Local government grants	228,342
Investment income	6,617
Other interest	311
Total revenues, gains, and other support	\$ <u>1,771,458</u>
Expenses:	
Program services (Note 2)	\$ 1,208,104
Supporting services:	
Management and general	209,982
Fundraising	87,731
Total expenses	\$ <u>1,505,817</u>
Change in net assets	\$ 265,641
Net assets at beginning of year	<u>4,934,266</u>
Net assets at end of year	\$ <u><u>5,199,907</u></u>

The accompanying notes are an integral part of these financial statements.

THE LAMB CENTER
Statement of Functional Expenses
Year Ended June 30, 2018

<u>Expense</u>	<u>Supporting Services</u>			<u>Total June 30, 2018</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Personnel costs	\$ 542,543	\$ 154,267	\$ 34,840	\$ 731,650
Supplies	350,747	-	-	350,747
Facilities	72,656	1,675	449	74,780
Depreciation	81,088	1,869	501	83,458
Professional fees	98,547	39,631	1,032	139,210
Compassion and caring program	35,868	-	-	35,868
Fundraising events	-	-	30,963	30,963
Printing and copying	11,087	-	16,853	27,940
Insurance	-	6,886	-	6,886
Postage and shipping	2,016	-	3,064	5,080
Licenses and fees	698	5,548	-	6,246
Office expenses	8,195	106	29	8,330
Travel and meetings	1,540	-	-	1,540
Staff and volunteer appreciation	3,119	-	-	3,119
Totals	<u>\$ 1,208,104</u>	<u>\$ 209,982</u>	<u>\$ 87,731</u>	<u>\$ 1,505,817</u>

The accompanying notes are an integral part of these financial statements.

THE LAMB CENTER
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ 265,641
Adjustments to reconcile the change in net assets to net cash flows from operating activities:	
Net realized/unrealized (gain) loss on securities	(4,344)
Interest and dividends on investments	(2,273)
Non-cash donation of investment securities	(11,694)
Depreciation expense	83,458
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(347)
(Increase) decrease in pledges receivable	4,797
(Increase) decrease in prepaid expenses	(3,147)
(Increase) decrease in inventory	(826)
Increase (decrease) in accounts payable	1,131
Increase (decrease) in due to supporting organization	819
Increase (decrease) in accrued wages	2,014
Increase (decrease) in compensated absences	2,107
Net cash flows provided by (used for) operating activities	<u>\$ 337,336</u>
Cash flows from investing activities:	
Purchase/sale of investments, net	<u>\$ (900,000)</u>
Net cash flows provided by (used for) investing activities	<u>\$ (900,000)</u>
Net change in cash and cash equivalents	\$ (562,664)
Cash and cash equivalents, beginning of year	<u>635,578</u>
Cash and cash equivalents, end of year	<u><u>\$ 72,914</u></u>

The accompanying notes are an integral part of these financial statements.

THE LAMB CENTER
Notes to Financial Statements
June 30, 2018

NOTE 1—DESCRIPTION OF THE ORGANIZATION:

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 the City of Fairfax, Virginia include: counseling, showers, laundry, simple medical and dental 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

Financial Statement Presentation

The accompanying financial statements present information regarding the Center’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

- **Unrestricted** net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification. The Center had \$5,199,907 in unrestricted net assets at June 30, 2018.
- **Temporarily restricted** net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Center pursuant to those stipulations. The Center had no temporarily restricted net assets at June 30, 2018.
- **Permanently restricted** net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various restricted and other operating needs. The Center had no permanently restricted net assets at June 30, 2018.

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.

Program Services

The Center’s sole program service is to meet the spiritual and physical needs of the poor and homeless in and around Fairfax, Virginia.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 recognizes promises to give either once any conditions imposed by the donor relating to uncertain future events (i.e. other than restrictions for the passage of time or purpose of the funds) are met or once there is only a remote chance they will not be met. Contributions receivable are reflected at the present value of estimated future cash flows using a discount rate at the prime rate at fiscal year-end.

Management considers all amounts collectable and expects to receive them within one year.

Inventory

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

Donated 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. Sales of securities are reported net of nominal transaction fees ordinarily charged on similar accounts with their brokerage company. Donated investments still held at year end are considered current assets as they are expected to be converted to cash within one year. Such investments held by the Center at June 30, 2018 amounted to \$11,458. Advisory fees of \$4,900 were provided In-Kind during the current fiscal year.

In addition, the Board directed \$900,000 of the Center's cash to be invested in fiscal year 2018 with the intentions of long-term growth and returns. These investments, which are reported separately from donated securities, are stated at fair value and are categorized as long-term assets in the accompanying statement of financial position.

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 or recognized as an expense. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets.

Furniture and Equipment	5-7 years
Phone and Security Systems	7 years
Computer Equipment	5 years
Leasehold Improvements	10-20 years

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.

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, no value was recorded for these assets.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of these items is recorded as an expense when consumed rather than when purchased.

Construction and Development

Costs to acquire, improve, and construct real property (including professional services, licenses and permits, and holding costs such as interest on construction loans, property hazard and builder's peril insurance, utilities, etc.) are capitalized as incurred, and any funds remain restricted by the donor for such purpose, until the project is substantially complete and ready for its intended use.

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, or sales of donated 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. Management does not imply time restrictions for contributions of long-lived assets (or cash contributions to purchase them.)

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, financial advisors, and other professionals involved in the Center's purchase and development of property used for their new facilities.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

All promotional costs are directed toward raising donations, and are expensed in the current year or upon occurrence of the fundraising event.

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 Tax

The Center is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Center has been determined to not be a "private foundation" within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). The Center did not conduct unrelated business activities and therefore, has made no provision for federal income taxes in the accompanying financial statements.

THE LAMB CENTER
Notes to Financial Statements (continued)
June 30, 2018

NOTE 3—CONCENTRATION OF CREDIT RISK AND ECONOMIC DEPENDENCY:

Financial instruments that potentially subject the Center to concentrations of credit risk consist of interest bearing cash and investments in the bank. The Center maintains its cash accounts in various financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) through the use of a sweep account to avoid maintaining uninsured balances. At June 30, 2018, the Center was utilizing three financial institutions to maintain its cash balances.

The FDIC insures cash balances of interest bearing accounts up to \$250,000 at each institution. There were no uninsured cash balances at June 30, 2018.

The Center receives a substantial amount of its support from public contributions. Such contributions amounted to 86.7% of total support for fiscal year 2018. Any shift in charitable giving would have a significant impact on the Center’s operations. In such a situation, the Board would adjust services to be provided commensurate with donation levels.

NOTE 4—CONTRIBUTIONS IN-KIND:

Contributions In-Kind consist of the following revenues with related expenses:

Professional fees	\$ 113,115
Goods	332,528
	<u>\$ 445,643</u>

Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Center in performance of its exempt activities, but these services do not meet the criteria for recognition as contributed services.

NOTE 5—INVESTMENTS:

Investments are stated at fair value and are summarized as follows as of June 30, 2018:

	<u>Fair Value</u>
Insured deposit program	\$ 27,608
Equity securities	11,308
Mutual funds	728,561
Exchange traded products	150,834
Total	<u>\$ 918,311</u>

The following schedule summarizes investment returns and activity for the year ended June 30, 2018:

Fair value, July 1, 2017	\$ -
Donated securities received	11,694
Securities purchased	900,000
Interest and dividends	2,273
Realized gain (loss) on sale of securities	1,131
Unrealized gain (loss) on securities	3,213
Fair value, June 30, 2018	<u>\$ 918,311</u>

NOTE 6—INVESTMENT FAIR VALUE MEASUREMENTS:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is used that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following information summarizes the Center’s investments on a recurring basis:

	<u>Fair Value Measurements at Reporting Date Using</u>		
	Fair Value at 6/30/18	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Insured deposit program	\$ 27,608	\$ 27,608	\$ -
Equity securities	11,308	11,308	-
Mutual funds	728,561	728,561	-
Exchange traded products	150,834	-	150,834
Total	<u>\$ 918,311</u>	<u>\$ 767,477</u>	<u>\$ 150,834</u>

NOTE 7—INVENTORY:

Inventory as of June 30, 2018 consists of the following:

Laundry and toiletries	\$ 2,475
Clothes	4,202
Food and related supplies	2,937
Dental supplies	1,395
Total inventory	<u>\$ 11,009</u>

THE LAMB CENTER
Notes to Financial Statements (continued)
June 30, 2018

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$	1,830,602
Building and improvements		2,440,088
Furniture, fixtures, and equipment		<u>142,832</u>
Subtotal	\$	4,413,522
Accumulated depreciation		<u>(163,673)</u>
Net property and equipment	\$	<u><u>4,249,849</u></u>

Depreciation expense for the year ended June 30, 2018 totaled \$83,458.

NOTE 9—COMPENSATED ABSENCES:

The Center's employees earn annual leave at various rates. Accumulated vacation up to 240 hours is paid upon termination. As of June 30, 2018, the accrual for compensated absences amounted to \$38,473.

NOTE 10—LINE OF CREDIT:

The Center 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, with interest charged at an annual rate of 23.99% after a grace period (if the prior month's balance is paid in full.) There was no outstanding balance at June 30, 2018.

NOTE 11—CONTINGENCIES AND CLAIMS:

The Center is only registered to solicit for charitable donations in Virginia. Management does not believe the Center is subject to the registration requirement of any other state.

NOTE 12—DEFINED CONTRIBUTION PENSION PLAN:

The Center sponsors an IRC §403(b) defined contribution pension plan in the Anglican Church in North America (ACNA) Retirement Plan and Trust. The Center will match employee contributions of 4% of their salary. The Center paid \$22,494 of employer contributions toward employees' retirement accounts for the year ended June 30, 2018.

NOTE 13—RELATED PARTY TRANSACTIONS:

During fiscal year 2018, Board of Directors members contributed approximately \$44,298 and employees contributed approximately \$6,605 to The Lamb Center.

NOTE 14—EVALUATION OF SUBSEQUENT EVENTS:

The Center has evaluated subsequent events through November 14, 2018, the date on which the financial statements were available to be issued.