THE LAMB CENTER

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, 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
October 7, 2016

FINANCIAL STATEMENTS

THE LAMB CENTER
Statement of Financial Position
June 30, 2016

ASSETS		
Current Assets:		
Cash and cash equivalents	$	857,634
Investments		5,249
Inventory		9,366
Pledges receivable (net of discount)		41,546
Prepaid expenses		6,661
Total current assets	$	920,456
Noncurrent Assets:		
Property and Equipment:		
Land	$	1,830,602
Building - construction in process		2,257,656
Furniture, fixtures, and equipment		97,528
Less: Accumulated depreciation		(1,718)
Net property and equipment	$	4,184,068
Intangible and Other Long-Term Assets:		
Security deposits	$	400
Total noncurrent assets	$	4,184,468
Restricted Assets:		
Cash - restricted for payment of construction loan interest	$	45,341
Total assets	$	5,150,265
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	48,984
Retainage payable		108,869
Accrued wages		14,582
Compensated absences		26,442
Total current liabilities	$	198,877
Long-Term Liabilities:		
Construction loan payable	$	453,422
Total liabilities	$	652,299
Net Assets:		
Unrestricted net assets	$	4,497,966
Total net assets	$	4,497,966
Total liabilities and net assets	$	5,150,265

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

THE LAMB CENTER
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Contributions	$ 2,756,594	$ -	$ 2,756,594
In-kind donations	452,296	-	452,296
Local government grants	92,000	-	92,000
Interest and dividends	1,522	-	1,522
Gain on sale of equities	302	-	302
Net assets released from restrictions	1,874,163	(1,874,163)	-
Total revenues, gains, and other support	$ 5,176,877	$ (1,874,163)	$ 3,302,714
Expenses:			
Program services	$ 969,527	$ -	$ 969,527
Supporting services:			
Management and general	193,124	-	193,124
Fundraising	80,677	-	80,677
Total expenses	$ 1,243,328	$ -	$ 1,243,328
Change in net assets from operations	$ 3,933,549	$ (1,874,163)	$ 2,059,386
Non-operating activities:			
Forfeiture of security deposit asset	$ (5,000)	$ -	$ (5,000)
Change in net assets from non-operating activities	$ (5,000)	$ -	$ (5,000)
Change in net assets	$ 3,928,549	$ (1,874,163)	$ 2,054,386
Net assets at beginning of year	569,417	1,874,163	2,443,580
Net assets at end of year	$ 4,497,966	$ -	$ 4,497,966

The accompanying notes to financial statements are an integral part of this statement.

THE LAMB CENTER
Statement of Functional Expenses
Year Ended June 30, 2016

		Supporting Services		
Expense	**Program Services**	**Management and General**	**Fund-raising**	**Total June 30, 2016**
Personnel costs	$ 356,727	$ 91,447	$ 34,074	$ 482,248
Supplies	268,766	-	-	268,766
Facilities	137,660	1,317	190	139,167
Depreciation	2,723	26	4	2,753
Professional fees	113,227	74,830	403	188,460
Compassion and caring program	18,614	-	-	18,614
Fundraising events	-	-	28,129	28,129
Printing and copying	9,706	6,527	7,503	23,736
Insurance	850	6,537	1	7,388
Postage and shipping	4,018	2,021	2,021	8,060
Office expenses	7,250	9,993	4,466	21,709
New building development	22,734	217	3,856	26,807
Asset disposal	21,849	209	30	22,088
Staff and volunteer appreciation	5,403	-	-	5,403
Totals	$ 969,527	$ 193,124	$ 80,677	$ 1,243,328

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

THE LAMB CENTER
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities:		
Change in net assets	$	2,054,386
Adjustments to reconcile the change in net assets to net cash flows from operating activities:		
Realized loss (gain) on securities		(302)
Loss on disposal of property		22,088
Non-cash donation of investment securities		(14,831)
Depreciation expense		2,753
Change in assets and liabilities:		
(Increase) decrease in pledges receivable		74,744
(Increase) decrease in prepaid expenses		4,768
(Increase) decrease in inventory		(5,366)
(Increase) decrease in security deposits		4,600
Increase (decrease) in accounts payable		14,555
Increase (decrease) in retainage payable		108,869
Increase (decrease) in due to supporting organization		(5,000)
Increase (decrease) in deferred revenue		(1,500)
Increase (decrease) in deferred rent		(1,096)
Increase (decrease) in accrued wages		5,471
Increase (decrease) in compensated absences		4,235
Net cash flows provided by (used for) operating activities	$	2,268,374
Cash flows from investing activities:		
Interest received	$	(1,462)
Proceeds from sale of investment securities		10,068
Transfer of funds previously held as long-term investment		230,417
Purchase of fixed assets		(2,324,665)
Net cash flows provided by (used for) investing activities	$	(2,085,642)
Cash flows from financing activities:		
Cash from financing of construction costs	$	453,422
Net change in cash and cash equivalents	$	636,154
Cash and cash equivalents at beginning of year		266,821
Cash and cash equivalents (including restricted cash), end of year	$	902,975
Schedule of non-cash non-operating activities:		
Forfeiture of security deposit asset	$	(5,000)

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

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 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:

The financial statements of The Lamb Center have been prepared in accordance with accounting principles generally accepted in the United States of America.

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.

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 $4,497,966 in unrestricted net assets at June 30, 2016.

- **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, 2016.

- **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, 2016.

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.

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 of 3.5%.

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
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. Investments of the Center were made up of 56 shares of equity securities held at June 30, 2016 with a value of $5,249. No advisory fees were paid during the current fiscal 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 $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)

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, appraisers, 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 fund-raising 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.

NOTE 3—CONTRIBUTIONS IN-KIND:

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

Professional fees	$	188,170
Mechanical and labor services		250
Goods		263,876
	$	452,296

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 4—PLEDGES RECEIVABLE:

Pledges receivable in future periods have been discounted to net present value at a discount rate of 3.50% and are due as follows:

Pledges receivable at June 30, 2016	$	43,000
Less discount on pledges receivable		(1,454)
Present value of pledges receivable	$	41,546
Less current portion		(41,546)
Noncurrent pledges receivable	$	-

NOTE 5—INVESTMENTS:

Investments are stated at fair value and are summarized as follows as of June 30, 2016:

		Fair Value
Equity securities	$	5,249
Total	$	5,249

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 – 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.

NOTE 6—INVESTMENT FAIR VALUE MEASUREMENTS: (CONTINUED)

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:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at 6/30/16	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 5,249	$ 5,249	$ -	$ -
Total	$ 5,249	$ 5,249	$ -	$ -

NOTE 7—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, but was left unchanged until the Board released the funds for use in February 2016. Upon release, the cash was used to fund a portion of the relocation project.

NOTE 8—RESTRICTED CASH:

In September 2015, the Center entered into an agreement with Mainstreet Bank for a loan relating to construction of a new 2-story building. At the loan settlement date, the bank disbursed from the loan $50,000 to an account controlled by the bank for an interest reserve. The interest reserve account is for the sole purpose of paying, as and when it comes due, each monthly interest installment that is payable to the bank in accordance with the terms of the Note. Additionally, no portion of the interest allocation shall be available for disbursement to the Center at any time. At June 30, 2016, the interest reserve account had a balance of $45,341.

NOTE 9—INVENTORY:

Inventory as of June 30, 2016 consists of the following:

Laundry and toiletries	$ 1,466
Clothes	3,280
Food and related supplies	4,620
Total inventory	$ 9,366

NOTE 10—CONCENTRATION OF CREDIT RISK AND ECONOMIC DEPENDENCY:

Financial instruments that potentially subject The Lamb Center to concentrations of credit risk consist of interest bearing cash and 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".)

The FDIC insures cash balances of interest bearing accounts up to $250,000 at each institution. Uninsured cash balances at June 30, 2016 were $900,921.

Because 89% of support is from contributions, including 36% from restricted assets released for use toward the new facility, a 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 11—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	$	1,830,602
Building - construction in process		2,257,656
Furniture, fixtures, and equipment		97,528
Subtotal	$	4,185,786
Accumulated depreciation		(1,718)
Net property and equipment	$	4,184,068

Depreciation expense for the year ended June 30, 2016 totaled $2,753.

NOTE 12—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.) The outstanding balance at June 30, 2016 is included in accounts payable.

NOTE 13—CONSTRUCTION LOAN PAYABLE:

On September 23, 2015, the Center signed a ten-year construction loan agreement for up to $2,250,000 ($2,000,000 for costs, $200,000 for contingencies, and $50,000 interest reserve) with Mainstreet Bank to finance the improvement and construction of their new facility on Campbell Drive. Interest-only payments are due monthly for the first five years, with interest charged on the current balance at a fixed-rate of 4% per annum. For the next five years interest and principal will be paid monthly, with variable interest charged on the current balance based on 3.5% plus the five year US Treasury rate (but the total cannot be less than 4% nor more than 6% per annum,) and minimum principal payments are amortized over twenty-five years. Prepayments will be charged a 2% penalty, except for those that bring the outstanding principal balance below $1.8M within the first 59-months of the loan agreement or those which are made by funds generated by the Center's normal operations. The note is secured by the land and all property at, and any rental income derived from, that location along with a security interest in all accounts with the lending institution. The Center must meet various financial, filing, regulatory, insurance coverage, and construction progress covenants as part of the loan. The outstanding balance of the loan as of June 30, 2016 was $453,422.

NOTE 14—RETIREMENT PLAN:

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 an immediately 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.

The Center paid $42,552 of employer contributions toward employees' retirement accounts for the year-ended June 30, 2016.

NOTE 15—LEASING ARRANGEMENTS:

The Center signed a lease modification for space on Old Lee Highway in July 2010. The lease commenced on October 1, 2010 and ended on September 30, 2015. However, rent payments were made after the lease expiration date due to management's need to occupy the existing property until construction was completed on the new facility. Rent expense for the year ended June 30, 2016 totaled $80,921.

NOTE 16—TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of donor restricted funds of the following:

Restrictive purpose	Support received in prior years	Amount released in fiscal year 2016	Temporarily Restricted
New facility	$ 1,874,163	$ 1,874,163	$ -
Total restricted net assets	$ 1,874,163	$ 1,874,163	$ -

NOTE 17—RELATED PARTY TRANSACTIONS:

During fiscal year 2016, Board of Directors members contributed approximately $63,335 and employees contributed approximately $11,476 to The Lamb Center.

NOTE 18—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 19—EVALUATION OF SUBSEQUENT EVENTS:

The Center has evaluated subsequent events through October 7, 2016, the date on which the financial statements were available to be issued.

As of June 30, 2016, there was an outstanding principal balance of $453,422 on the construction loan. In July 2016, an anonymous donor contributed funds necessary to pay off the outstanding principal balance of the loan. The Center subsequently paid the loan's principal balance in its entirety using the funds contributed by this anonymous donor.