

# THE LAMB CENTER

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FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2017

**THE LAMB CENTER**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2017**

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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, 2017, 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, 2017, 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 27, 2017

## **FINANCIAL STATEMENTS**

**THE LAMB CENTER**  
**Statement of Financial Position**  
**June 30, 2017**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 635,578
Inventory	10,183
Pledges receivable (net of discount)	4,797
Prepaid expenses	<u>11,563</u>
Total current assets	<u>\$ 662,121</u>

Noncurrent Assets:

Property and Equipment:

Land	\$ 1,830,602
Building and improvements	2,440,088
Furniture, fixtures, and equipment	142,832
Less: Accumulated depreciation	<u>(80,215)</u>
Net property and equipment	<u>\$ 4,333,307</u>

Intangible and Other Long-Term Assets:

Security deposits	<u>\$ 470</u>
Total noncurrent assets	<u>\$ 4,333,777</u>
Total assets	<u><u>\$ 4,995,898</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued wages	\$ 21,152
Compensated absences	36,366
Accrued employee benefits	<u>4,114</u>
Total liabilities	<u>\$ 61,632</u>

Net Assets:

Unrestricted net assets	<u>\$ 4,934,266</u>
Total net assets	<u>\$ 4,934,266</u>
Total liabilities and net assets	<u><u>\$ 4,995,898</u></u>

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

**THE LAMB CENTER**  
**Statement of Activities**  
**Year Ended June 30, 2017**

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		Unrestricted
Revenues, gains, and other support:		
Contributions	\$	1,142,976
Contributions in-kind		434,584
Local government grants		229,812
Interest and dividends		144
Gain (loss) on sale of equities		(377)
Total revenues, gains, and other support	\$	1,807,139
Expenses:		
Program services	\$	1,122,882
Supporting services:		
Management and general		165,066
Fundraising		82,891
Total expenses	\$	1,370,839
Change in net assets	\$	436,300
Net assets at beginning of year		4,497,966
Net assets at end of year	\$	4,934,266

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

**THE LAMB CENTER**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

<u>Expense</u>	<u>Supporting Services</u>			<u>Total June 30, 2017</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Personnel costs	\$ 476,573	\$ 104,871	\$ 34,899	\$ 616,343
Supplies	348,425	-	-	348,425
Facilities	63,689	1,468	393	65,550
Depreciation	76,269	1,758	471	78,498
Professional fees	101,672	34,695	1,199	137,566
Compassion and caring program	22,873	-	-	22,873
Fundraising events	-	-	28,336	28,336
Printing and copying	8,211	6,937	14,368	29,516
Insurance	-	6,200	-	6,200
Postage and shipping	3,535	1,462	1,462	6,459
Licenses and fees	925	5,670	-	6,595
Office expenses	16,004	2,005	1,763	19,772
Travel and meetings	1,634	-	-	1,634
Staff and volunteer appreciation	3,072	-	-	3,072
Totals	<u>\$ 1,122,882</u>	<u>\$ 165,066</u>	<u>\$ 82,891</u>	<u>\$ 1,370,839</u>

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



**THE LAMB CENTER**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

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Cash flows from operating activities:	
Change in net assets	\$ 436,300
Adjustments to reconcile the change in net assets to net cash flows from operating activities:	
Realized loss (gain) on securities	377
Non-cash donation of investment securities	(13,648)
Depreciation expense	78,498
Change in assets and liabilities:	
(Increase) decrease in pledges receivable	36,749
(Increase) decrease in prepaid expenses	(4,902)
(Increase) decrease in inventory	(817)
(Increase) decrease in security deposits	(70)
Increase (decrease) in accounts payable	(48,984)
Increase (decrease) in retainage payable	(108,869)
Increase (decrease) in due to supporting organization	4,114
Increase (decrease) in accrued wages	6,570
Increase (decrease) in compensated absences	9,924
Net cash flows provided by (used for) operating activities	<u>\$ 395,242</u>
Cash flows from investing activities:	
Proceeds from sale of investment securities	\$ 18,520
Purchase of fixed assets	<u>(229,567)</u>
Net cash flows provided by (used for) investing activities	<u>\$ (211,047)</u>
Cash flows from financing activities:	
Cash from financing of construction costs	<u>\$ (453,422)</u>
Net change in cash and cash equivalents	\$ (269,227)
Cash and cash equivalents, beginning of year (including restricted cash), as restated	<u>904,805</u>
Cash and cash equivalents, end of year	<u><u>\$ 635,578</u></u>

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

**THE LAMB CENTER**  
**Notes to Financial Statements**  
**June 30, 2017**

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**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 \$4,934,266 in unrestricted net assets at June 30, 2017.
- **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, 2017.
- **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, 2017.

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 4.25%.

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. No investments were held by the Center at June 30, 2017. No advisory fees were paid during the current fiscal year.

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.

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.

**THE LAMB CENTER**  
**Notes to Financial Statements (continued)**  
**June 30, 2017**

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**NOTE 3—CONTRIBUTIONS IN-KIND:**

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

Professional fees	\$	119,600
Goods		314,984
	\$	<u>434,584</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 4—PLEDGES RECEIVABLE:**

Pledges receivable in future periods have been discounted to net present value at a discount rate of 4.25% and are due as follows:

Pledges receivable at June 30, 2017	\$	5,000
Less discount on pledges receivable		(203)
Present value of pledges receivable	\$	<u>4,797</u>
Less current portion		(4,797)
Noncurrent pledges receivable	\$	<u>-</u>

**NOTE 5—INVESTMENTS:**

The following schedule summarizes investment returns and activity for the year ended June 30, 2017:

Fair value, July 1, 2016	\$	5,249
Donated securities received		13,648
Securities sold		(18,520)
Realized gain (loss) on sale of securities		(377)
Fair value, June 30, 2017	\$	<u>-</u>

**NOTE 6—RESTRICTED CASH:**

In September 2015, the Center entered into an agreement with Mainstreet Bank for a loan relating to construction of a new two-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. During fiscal year 2017, the construction loan balance was paid off in its entirety with funds contributed by an anonymous donor. Subsequently, the balance in the interest reserve account was transferred to the Center's main checking account for operational use.

**THE LAMB CENTER**  
**Notes to Financial Statements (continued)**  
**June 30, 2017**

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**NOTE 7—INVENTORY:**

Inventory as of June 30, 2017 consists of the following:

Laundry and toiletries	\$	4,030
Clothes		3,856
Food and related supplies		1,217
Dental supplies		1,080
Total inventory	\$	<u>10,183</u>

**NOTE 8—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, 2017, 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, 2017.

Because 87.3% of support is from contributions, 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 9—PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following:

Land	\$	1,830,602
Building - construction in process		2,440,088
Furniture, fixtures, and equipment		<u>142,832</u>
Subtotal	\$	4,413,522
Accumulated depreciation		<u>(80,215)</u>
Net property and equipment	\$	<u>4,333,307</u>

Depreciation expense for the year ended June 30, 2017 totaled \$78,498.

**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, 2017.

**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—CONSTRUCTION LOAN:**

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. In July 2016, an anonymous donor contributed funds necessary to pay off the outstanding balance of the loan. The Center subsequently paid the loan's balance in its entirety using the funds contributed by the anonymous donor.

**NOTE 13—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 \$19,525 of employer contributions toward employees' retirement accounts for the year-ended June 30, 2017.

**NOTE 14—RESTATEMENT OF BEGINNING CASH AND CASH EQUIVALENTS:**

Beginning cash and cash equivalents for the purposes of the Statement of Cash Flows has been restated as follows:

Cash and cash equivalents at July 1, 2016	\$	902,975
Fixed asset acquisition in the prior fiscal year voided subsequent to audit report release date		1,830
Cash and cash equivalents at July 1, 2016, as restated	\$	<u>904,805</u>

**NOTE 15—RELATED PARTY TRANSACTIONS:**

During fiscal year 2017, Board of Directors members contributed approximately \$53,225 and employees contributed approximately \$5,831 to The Lamb Center.

**NOTE 16—EVALUATION OF SUBSEQUENT EVENTS:**

The Center has evaluated subsequent events through October 27, 2017, the date on which the financial statements were available to be issued.