

Good Shepherd Housing and Family Services, Inc.

Financial Statements
and Independent Auditors' Report

OMB Circular A-133 Reports

June 30, 2009 and 2008

Good Shepherd Housing and Family Services, Inc.

Financial Statements
June 30, 2009 and 2008

Contents

Report of Independent Auditors.....	1-2
<i>Audited Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-17
<i>Supplemental Information</i>	
Schedules of Functional Expenses.....	18-19
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	20-21
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	22-23
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards.....	25
Schedule of Findings and Questioned Costs	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Good Shepherd Housing and Family Services, Inc.

We have audited the accompanying statements of financial position of Good Shepherd Housing and Family Services, Inc. (the Organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 08, 2009 on our consideration of the internal control of the Organization over financial reporting and on our test of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purposes of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The word "Rogers" is written in a large, stylized cursive font, followed by a plus sign and the words "Company PLLC" in a smaller, more standard cursive font.

Vienna, Virginia
September 8, 2009

Good Shepherd Housing and Family Services, Inc.

Statements of Financial Position June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 514,212	\$ 288,675
Accounts receivable, net	5,460	9,538
Grants receivable	1,950	107,460
Investments	187,140	181,140
Deposits and prepaid expenses	18,879	24,283
Property and equipment, net	4,680,937	4,386,404
Total assets	<u>\$ 5,408,578</u>	<u>\$ 4,997,500</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 46,341	\$ 34,801
Lines of credit	2,685,680	2,650,711
Forgivable loans	2,158,663	1,792,418
Security deposits	21,450	23,061
Total liabilities	<u>4,912,134</u>	<u>4,500,991</u>
Net Assets		
Unrestricted:		
Undesignated	70,877	117,697
Board designated - general reserve	100,000	100,000
Board designated - Legacy Fund	62,977	84,656
Total unrestricted	233,854	302,353
Temporarily restricted	163,629	97,670
Permanently restricted	98,961	96,486
Total net assets	<u>496,444</u>	<u>496,509</u>
Total liabilities and net assets	<u>\$ 5,408,578</u>	<u>\$ 4,997,500</u>

See accompanying notes.

Good Shepherd Housing and Family Services, Inc.

Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Rental income and rent subsidies	\$ 847,204	\$ -	\$ -	\$ 847,204
Government grants	298,380	-	-	298,380
Contributions	486,468	130,367	2,475	619,310
Indirect public support	17,099	-	-	17,099
Fundraising events	307,827	-	-	307,827
In-kind donations	197,932	-	-	197,932
Investment income	4,479	729	-	5,208
Net asset reclassification based on change in law	(32,533)	32,533	-	-
Released from restrictions	97,670	(97,670)	-	-
Total revenue and support	2,224,526	65,959	2,475	2,292,960
Expenses				
Program services:				
ABC (Rental Assistance)	1,588,031	-	-	1,588,031
Emergency Services	289,262	-	-	289,262
Homeless Transition	158,873	-	-	158,873
Children's Resources	49,949	-	-	49,949
Total program services	2,086,115	-	-	2,086,115
Supporting services:				
Management and general	34,777	-	-	34,777
Fundraising	172,133	-	-	172,133
Total supporting services	206,910	-	-	206,910
Total expenses	2,293,025	-	-	2,293,025
Change in Net Assets	(68,499)	65,959	2,475	(65)
Net Assets, beginning of year	302,353	97,670	96,486	496,509
Net Assets, end of year	\$ 233,854	\$ 163,629	\$ 98,961	\$ 496,444

See accompanying notes.

Good Shepherd Housing and Family Services, Inc.

Statement of Activities
For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Rental income and rent subsidies	\$ 717,816	\$ -	\$ -	\$ 717,816
Government grants	290,480	-	-	290,480
Contributions	408,220	97,670	2,100	507,990
Indirect public support	79,301	-	-	79,301
Fundraising events	267,863	-	-	267,863
In-kind donations	142,364	-	-	142,364
Investment income	12,125	-	-	12,125
Released from restrictions	170,892	(170,892)	-	-
Total revenue and support	2,089,061	(73,222)	2,100	2,017,939
Expenses				
Program services:				
ABC (Rental Assistance)	1,312,347	-	-	1,312,347
Emergency Services	233,567	-	-	233,567
Homeless Transition	116,676	-	-	116,676
Children's Resources	53,746	-	-	53,746
Total program services	1,716,336	-	-	1,716,336
Supporting services:				
Management and general	134,992	-	-	134,992
Fundraising	165,507	-	-	165,507
Total supporting services	300,499	-	-	300,499
Total expenses	2,016,835	-	-	2,016,835
Change in Net Assets	72,226	(73,222)	2,100	1,104
Net Assets, beginning of year	230,127	170,892	94,386	495,405
Net Assets, end of year	\$ 302,353	\$ 97,670	\$ 96,486	\$ 496,509

See accompanying notes.

Good Shepherd Housing and Family Services, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	\$ (65)	\$ 1,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	148,367	114,779
Net realized and unrealized losses	202	53
Contributions of permanently restricted net assets	(2,475)	(2,100)
Change in operating assets and liabilities:		
Decrease in accounts receivable	4,078	20,618
Decrease (increase) in grants receivable	105,510	(83,868)
Decrease (increase) in deposits and prepaid expenses	5,404	(8,455)
Increase in accounts payable and accrued expenses	11,540	13,991
(Decrease) increase in security deposits	(1,611)	1,474
Decrease in other liabilities	-	(1,592)
	270,950	56,004
Cash Flows from Investing Activities		
Net purchases of investments	(6,202)	(27,701)
	(6,202)	(27,701)
Net cash used in investing activities	(6,202)	(27,701)
Cash Flows from Financing Activities		
Net principal payments on lines of credit	(41,686)	(137,224)
Contributions of permanently restricted net assets	2,475	2,100
	(39,211)	(135,124)
Net cash used in financing activities	(39,211)	(135,124)
Net Increase (Decrease) in Cash and Cash Equivalents	225,537	(106,821)
Cash and Cash Equivalents, beginning of year	288,675	395,496
Cash and Cash Equivalents, end of year	\$ 514,212	\$ 288,675
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 155,806	\$ 136,929
Noncash purchase of property and equipment	\$ 442,900	\$ 1,118,500

See accompanying notes.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

1. Nature of Operations

Good Shepherd Housing and Family Services, Inc. (the Organization) is a not-for-profit organization incorporated in the Commonwealth of Virginia on January 25, 1974. The Organization was formed to provide housing for families or individuals who may be in need of relief and to conduct programs or projects, which are concerned with the treatment of personal, economic, and social needs of families or individuals in the southern part of Fairfax County, Virginia.

2. Summary of Significant Accounting Policies

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations. Unrestricted net assets at June 30, 2009 and 2008 were \$233,854 and \$302,353, respectively. Of these amounts, \$100,000 was designated as a general reserve at both June 30, 2009 and 2008, and \$62,977 and \$84,656 were designated to the Legacy Fund at June 30, 2009 and 2008, respectively.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time. Temporarily restricted net assets at June 30, 2009 and 2008, were \$163,629 and \$97,670, respectively.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations of the Organization or the restricted purpose imposed by the donors. Permanently restricted net assets at June 30, 2009 and 2008, were \$98,961 and \$96,486, respectively.

Investments

Investments at June 30, 2009 and 2008, consist of certificates of deposit and common stocks. Investments are recorded at fair value based on quoted market prices.

Accounts Receivable

Accounts receivable consist of amounts due from the assisted tenants for monthly rents, late fees, and other related costs. There was no allowance for doubtful accounts at either June 30, 2009 and 2008, as management believes all receivables to be fully collectible.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 27.5 years. Expenditures for major repairs and maintenance are capitalized.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Federal and state government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable.

Rental income is recognized as the rentals become due. Rental payments received in advanced are deferred until earned. All leases between the Organization and tenants of the property are operating leases.

Revenue from all other sources is recognized when earned.

Fair Value Measurements

Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*," was adopted by the Organization effective July 1, 2008. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs. This standard had no effect on the Organization's financial statements, but did result in additional disclosures.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Donated Materials and Services

Donated materials and services are included in contributions at fair market value as of the date of the donation. The Organization also receives a substantial amount of services donated by volunteers in carrying out its program services. No amounts have been recognized in the accompanying financial statements, as these services do not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*.

Functional Allocation of Expenses

The costs of the Organization's programs and administration have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation. None of these reclassifications, however, affected the prior year change in net assets, or total ending net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 8, 2009, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits. The Organization has not experienced any losses on its cash and investments, and management believes that the risk of any loss is minimal.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements June 30, 2009 and 2008

4. Investments

Investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Certificates of deposit	\$ 185,285	\$ 180,162
Common stocks	<u>1,855</u>	<u>978</u>
Total investments	<u>\$ 187,140</u>	<u>\$ 181,140</u>

Investment income consists of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 5,410	\$ 12,178
Net realized and unrealized losses	<u>(202)</u>	<u>(53)</u>
Total investment income	<u>\$ 5,208</u>	<u>\$ 12,125</u>

5. Property and Equipment

The Organization held the following property and equipment at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 893,699	\$ 805,119
Rental property	4,226,292	3,871,972
Furniture and office equipment	<u>8,843</u>	<u>8,843</u>
Total property and equipment	5,128,834	4,685,934
Less: accumulated depreciation	<u>(447,897)</u>	<u>(299,530)</u>
Property and equipment, net	<u>\$ 4,680,937</u>	<u>\$ 4,386,404</u>

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

6. Forgiveable Loans

The Organization receives funds from the Community Development Block Grant and HOME Investment Partnership Program passed through by the County of Fairfax Department of Housing and Community Development (DHCD grant). Under the DHCD grant, the Organization receives assistance at closing on purchases of low income housing units in the form of loans. These loans are due 20 years, 25 years or 30 years from the date of closing. These loans will be forgiven if certain covenants are met; however, until such covenants and conditions are met, these are obligations of the Organization. At June 30, 2009 and 2008, \$2,158,663 and \$1,792,418, respectively, have been disbursed at closings and are reflected as forgiveable loans in the accompanying statements of financial position.

7. Lines of Credit

In March 2004, the Organization obtained a line of credit with Capital One Services that can be drawn upon up to \$1,405,013 and is collateralized by the Organization's low income housing properties purchased using the funds from this line of credit. The interest rate on scheduled payments is 5.10% annually. Each advance from this line of credit shall be paid in 120 monthly installments of principal and interest in an amount sufficient to amortize the advance over a 30 year period from the date of such advance. Remaining outstanding principal and accrued interest are due 10 years after the date of the advance. The balance outstanding at June 30, 2009 and 2008 was \$1,300,182 and \$1,324,754, respectively.

The Organization opened another revolving line of credit, as a result of refinancing a previous line of credit, on December 19, 2007 with the Virginia Housing Development Authority for \$341,100. The loan is collateralized by the Organization's low income housing properties purchased using the funds from the line of credit as well as assignment of rents associated with these properties. The interest rate on scheduled payments is 4.75% annually. The outstanding principal balance at June 30, 2009 and 2008 was \$335,531 and \$339,500, respectively.

In September 2006, the Organization obtained a third line of credit from Virginia Commerce Bank (VCB) that can be drawn upon up to \$1,500,000. The loan is collateralized by the Organization's low income housing properties purchased using the funds from this line of credit as well as assignment of rents associated with these properties. The interest rate on scheduled payments on the line of credit is a floating rate equal to the Prime Rate plus ½ % annually. Each advance from this line of credit shall be paid in 120 monthly installments of principal and interest in an amount sufficient to amortize the advance over a 30 year period from the date of such advance. Remaining outstanding principal and accrued interest are due 10 years after the date of the advance. The Organization had total outstanding balances of \$1,049,967 and \$986,457 in loans from VCB at June 30, 2009 and 2008, respectively.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

7. Lines of Credit (continued)

Future minimum maturities on the lines of credit and forgivable loans (see Note 6) are as follows for each of the years ending June 30:

	Lines of Credit	Forgivable Loans
	<u> </u>	<u> </u>
2010	\$ 39,695	\$ -
2011	42,155	-
2012	44,772	-
2013	47,580	-
2014	375,896	-
Thereafter	<u>2,135,582</u>	<u>2,158,663</u>
Total future minimum payments	<u>\$ 2,685,680</u>	<u>\$ 2,158,663</u>

8. Other Commitments and Contingencies

Government Cooperative Agreements and Grants

Funds received from government agencies are subject to audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

Operating Leases

The Organization leases residential property for use in its housing program. These units are in turn leased to people in need of housing assistance to fulfill the Organization's program objectives. All leases are operating leases and have original terms of one year or less. Rent expense for the years ended June 30, 2009 and 2008 was \$468,118 and \$489,176, respectively.

The Organization also leases office facilities from the County of Fairfax, which are used to carry out program objectives. The current lease is automatically renewed in one year increments commencing on April 1 of each year. Rent expense for these facilities for the years ended June 30, 2009 and 2008 was \$18,678 and \$18,026, respectively.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

8. Other Commitments and Contingencies (continued)

Operating Leases (continued)

The Organization has entered into a lease agreement for a copier, which commenced in August 2007. The lease calls for equal monthly installments in the amount of \$241 and will terminate in August of 2012. Rent expense for the years ended June 30, 2009 and 2008 under this agreement was \$2,898 and \$2,173, respectively.

Total future minimum payments under the copier lease are as follows for the years ending June 30:

2010	\$	2,898
2011		2,898
2012		2,898
2013		724
		<hr/>
Total future minimum payments	\$	<u>9,418</u>

9. Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Program restricted:		
Emergency Services	\$ 60,526	\$ 46,206
Children's Resources	18,443	19,363
Homeless Transition Program	3,857	7,101
Capital One	47,541	25,000
	<hr/>	<hr/>
Total program restricted	130,367	97,670
Unappropriated endowment earnings	33,262	-
	<hr/>	<hr/>
Temporarily restricted net assets	<u>\$ 163,629</u>	<u>\$ 97,670</u>

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

9. Restricted Net Assets (continued)

Permanently Restricted

Permanently restricted net assets of \$98,961 and \$96,486 at June 30, 2009 and 2008, respectively, consist of contributions designated for the Legacy Fund. The principal amounts contributed toward the Legacy Fund are held in perpetuity for the benefit of the Organization with earnings considered available for operations.

10. Endowment

The Organization's endowment consists of the Legacy Fund, established to fund the Organization's operations. The endowment includes both donor-restricted endowment funds and funds established by the Board of Directors to function as an endowment. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. During the year ended June 30, 2009, the Organization reclassified previous unrestricted endowment earnings based on new enacted laws (see further discussions below), which did not affect ending net assets in total.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

10. Endowment (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

Changes in Endowment Net Assets for the Year Ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 84,656	\$ -	\$ 96,486	\$ 181,142
Net asset reclassification based on change in law	(32,533)	32,533	-	-
Endowment net assets after reclassification	52,123	32,533	96,486	181,142
Investment return:				
Investment income	347	931	-	1,278
Net depreciation (realized and unrealized)	-	(202)	-	(202)
Total investment return	347	729	-	1,076
Contributions	-	-	2,475	2,475
Transfers to board- designated endowment funds	10,507	-	-	10,507
Total endowment funds	\$ 62,977	\$ 33,262	\$ 98,961	\$ 195,200

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

10. Endowment (continued)

Endowment Net Asset Composition by Type of Fund at June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 33,262	\$ 98,961	\$ 132,223
Board-designated endowment funds	62,977	-	-	62,977
Total endowment funds	\$ 62,977	\$ 33,262	\$ 98,961	\$ 195,200

Return Objectives and Risk Parameters

The Organization has adopted an informal investment policy for endowment assets that attempts to provide a predictable stream of funding and the growth of financial surplus while seeking to maintain the purchasing power of the endowment assets. Under this informal policy, the endowment assets are invested in a manner that is intended to produce results that are predictable while assuming a low level of risk. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a return strategy in which investment returns are achieved through additional gifts and continued reinvestment of realized capital gains and earned income to the extent that earned income is not required for operating purposes. The Organization targets an asset allocation that places a greater emphasis on certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature would be reported by the Organization in unrestricted net assets. There were no fund deficiencies for the year ended June 30, 2009.

Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements
June 30, 2009 and 2008

11. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at June 30, 2009:

	Total fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Investments	\$ 187,140	\$ 187,140	\$ -	\$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no level 2 or level 3 financial assets at June 30, 2009.

12. Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes except for taxes on unrelated business activities. No tax expense was recorded in the accompanying financial statements for the years ended June 30, 2009 and 2008 as the Organization engaged in no unrelated business activities. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

SUPPLEMENTAL INFORMATION

Good Shepherd Housing and Family Services, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2009

	ABC (Rental Assistance)	Emergency Services	Homeless Transition	Children's Resources	Total Program	Management and General	Fundraising	Total
Salaries	\$ 265,269	\$ 49,206	\$ 41,737	\$ 10,683	\$ 366,895	\$ 14,305	\$ 71,478	\$ 452,678
Payroll taxes	21,261	3,944	3,345	856	29,406	1,146	5,729	36,281
Employee benefits	31,832	5,905	5,008	1,282	44,027	1,717	8,577	54,321
Rents and utilities	698,699	-	-	-	698,699	-	-	698,699
Children's resources	-	-	-	28,711	28,711	-	-	28,711
Direct assistance payments	-	139,616	69,407	-	209,024	-	-	209,024
In-kind donation	59,380	79,173	29,690	5,938	174,180	9,897	13,855	197,932
Bad debts	18,799	-	-	-	18,799	-	-	18,799
Repairs and maintenance	108,584	-	-	-	108,584	-	-	108,584
Professional fees	13,972	1,554	1,318	337	17,181	452	2,257	19,889
Printing	5,081	943	799	205	7,028	274	1,369	8,671
Miscellaneous	7,638	1,417	1,202	308	10,564	412	57,966	68,942
Depreciation and amortization	148,367	-	-	-	148,367	-	-	148,367
Office rents and utilities	11,092	2,057	1,745	447	15,341	598	2,989	18,928
Advertising	5,126	951	807	206	7,090	276	1,381	8,747
Insurance	12,880	-	-	-	12,880	4,393	-	17,273
Postage	4,104	761	646	165	5,677	221	1,106	7,004
Equipment maintenance	5,540	1,028	872	223	7,662	299	1,493	9,454
Interest expense	155,806	-	-	-	155,806	-	-	155,806
Dues and taxes	987	183	155	40	1,365	53	266	1,684
Bank services charges	2,361	438	371	95	3,265	127	636	4,029
Travel	6,864	1,273	1,080	276	9,493	370	1,849	11,713
Supplies	2,022	375	318	81	2,796	109	545	3,450
Telephone	2,367	439	372	95	3,274	128	638	4,040
Total expenses	\$ 1,588,031	\$ 289,262	\$ 158,873	\$ 49,949	\$ 2,086,115	\$ 34,777	\$ 172,133	\$ 2,293,025

Good Shepherd Housing and Family Services, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2008

	ABC (Rental Assistance)	Emergency Services	Homeless Transition	Children's Resources	Total Program	Management and General	Fundraising	Total
Salaries	\$ 206,847	\$ 28,950	\$ 22,657	\$ 10,489	\$ 268,943	\$ 94,402	\$ 56,222	\$ 419,567
Payroll taxes	15,695	2,197	1,719	796	20,407	7,163	4,266	31,836
Employee benefits	21,661	3,032	2,372	1,098	28,163	9,886	5,887	43,936
Rents and utilities	639,781	-	-	-	639,781	-	-	639,781
Children's resources	-	-	-	33,974	33,974	-	-	33,974
Direct assistance payments	-	114,897	57,175	-	172,072	-	-	172,072
In-kind donation	42,709	56,946	21,355	640	121,650	7,118	13,596	142,364
Bad debts	44,200	-	-	-	44,200	-	-	44,200
Repairs and maintenance	50,217	-	-	-	50,217	-	-	50,217
Professional fees	12,090	5,933	1,978	593	20,594	2,966	2,373	25,933
Printing	2,919	2,919	973	292	7,103	1,460	1,168	9,731
Miscellaneous	4,720	2,335	1,399	1,815	10,269	2,098	73,151	85,518
Depreciation and amortization	114,779	-	-	-	114,779	-	-	114,779
Office rents and utilities	5,633	5,633	1,878	563	13,707	2,816	2,253	18,776
Insurance	2,192	731	731	1,315	4,969	1,096	1,242	7,307
Postage	2,023	2,023	674	202	4,922	1,011	809	6,742
Equipment maintenance	3,267	1,990	1,536	773	7,566	1,633	1,690	10,889
Interest expense	136,929	-	-	-	136,929	-	-	136,929
Dues and taxes	1,056	352	352	633	2,393	528	598	3,519
Bank services charges	1,160	1,160	387	116	2,823	580	464	3,867
Travel	2,490	2,490	830	249	6,059	1,245	996	8,300
Supplies	789	789	263	79	1,920	395	316	2,631
Telephone	1,190	1,190	397	119	2,896	595	476	3,967
Total expenses	\$ 1,312,347	\$ 233,567	\$ 116,676	\$ 53,746	\$ 1,716,336	\$ 134,992	\$ 165,507	\$ 2,016,835

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Good Shepherd Housing and Family Services, Inc.

We have audited the financial statements of Good Shepherd Housing and Family Services, Inc. (the Organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the rest of the text is written in a cursive, handwritten style.

Vienna, Virginia
September 8, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors of
Good Shepherd Housing and Family Services, Inc.

Compliance

We have audited the compliance of Good Shepherd Housing and Family Services, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 8, 2009

Good Shepherd Housing and Family Services, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass- Through Grant Number	Federal Grantor/Pass- Through Grantor/Program Title	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant Program (Pass-through from Fairfax County):			
Homes for the Working Poor, Elderly, and Disabled	RQ0893912331L	14.218	\$ 258,250
Mt. Vernon Village – Scattered Site Homes	RQ0682689131T	14.218	176,345
Mt. Vernon Village – Scattered Site Homes	RQ0469911224M	14.218	189,900
Emergency Services – Keeping Families at Home	RQ0893912331M	14.218	<u>39,900</u>
Total Expenditures of Federal Awards			<u>\$ 664,395</u>

See accompanying notes to this schedule.

Good Shepherd Housing and Family Services, Inc.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Loan Assistance

The Organization receives loan assistance from the Fairfax County Redevelopment Authority through Department of Housing and Urban Development (HUD) programs. Under certain programs, funds are loaned to the Organization for affordable housing acquisition assistance. These loans may be forgiven if certain conditions are met. Total funds received under this loan assistance program were \$366,245 for the year ended June 30, 2009, and are included within the amounts shown in the accompanying schedule.

3. Loans with Continuing Compliance Requirement

The Organization had the following loan obligation balance outstanding at June 30, 2009, for which the federal government imposes continuing compliance requirements:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 1,916,461
HOME Investment Partnership Program	14.239	\$ 242,202

The loan obligation balance, with the exception of funds received in the current year as reported in Note 2, is not included in the federal expenditures on the accompanying schedule of expenditures of federal awards. These loans may be forgiven if certain conditions are met.

Good Shepherd Housing and Family Services, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Good Shepherd Housing and Family Services, Inc. (the Organization).
2. No significant deficiencies relating to the audit of the financial statements are reported in the auditors' report.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on internal control over financial reporting.
5. The auditors' report on compliance for the major federal programs of the Organization expresses an unqualified opinion on all major federal programs.
6. There were no audit findings related to the major federal award programs for the Organization.
7. The following programs were tested as major programs:

CFDA#/Grant Number	Program Title
14.218	Community Development Block Grant Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization qualified as a low-risk auditee.

B. Findings – Financial Statement Audit

- None

C. Findings and Questioned Costs – Major Federal Award Program Audit

- None

D. Summary Schedule of Prior Audit Findings

- None