

**Good Shepherd Ministries
of Wilmington, Inc.
and Affiliate**

Combining and Combined Financial Statements

*For the Year Ended June 30, 2020
(with Comparative Totals for 2019)*



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Good Shepherd Ministries of Wilmington, Inc. and Affiliate

We have audited the accompanying combining and combined financial statements of Good Shepherd Ministries of Wilmington, Inc. (a nonprofit organization) and affiliate, which comprise the combining and combined statement of financial position as of June 30, 2020, and the related combining and combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining and combined financial statements.

Management's Responsibility for the Combining and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combining and combined 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 combining and combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining and combined 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 combining and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining and combined 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 combining and combined 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 combining and combined 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 combining and combined financial statements referred to above present fairly, in all material respects, the financial position of Good Shepherd Ministries of Wilmington, Inc. and affiliate as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Good Shepherd Ministries of Wilmington, Inc. and affiliate's 2019 combining and combined financial statements, and we expressed an unmodified audit opinion on those audited combining and combined financial statements in our report dated September 16, 2019. In our opinion, the summarized comparative combined information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited combining and combined financial statements from which it has been derived.

Eany & Company, L.L.P.

Wilmington, North Carolina
September 14, 2020

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Financial Position
As of June 30, 2020

	2020										2019 Comparative Combined Total	
	Good Shepherd					Lakeside Partners						Combined Total
	Without Donor Restrictions		With Donor Restrictions		Total	Without Donor Restrictions		With Donor Restrictions		Total		
	Operations	Property	Purpose or Time Restricted	Perpetual in Nature		Operations	Property	Purpose or Time Restricted	Total			
ASSETS												
Current Assets												
Cash & cash equivalents	\$ 1,913,330	\$ -	\$ -	\$ -	\$ 1,913,330	\$ 314,808	\$ -	\$ -	\$ -	\$ 314,808	\$ 2,228,138	\$ 1,171,210
Prepaid expenses	24,022	-	-	-	24,022	25,383	-	-	-	25,383	49,405	32,039
Investments	397,120	-	-	-	397,120	-	-	-	-	-	397,120	386,665
Grants & other receivables	55,193	-	-	-	55,193	3,478	-	-	-	3,478	58,671	55,582
Total Current Assets	<u>2,389,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,389,665</u>	<u>343,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,669</u>	<u>2,733,334</u>	<u>1,645,496</u>
Assets Whose Use is Limited												
Rising Tide Fund (Note 8)	-	-	43,260	53,602	96,862	-	-	-	-	-	96,862	94,746
Required reserves (Note 5)	-	-	-	-	-	-	-	158,049	-	158,049	158,049	68,020
Total Assets Whose Use is Limited	<u>-</u>	<u>-</u>	<u>43,260</u>	<u>53,602</u>	<u>96,862</u>	<u>-</u>	<u>-</u>	<u>158,049</u>	<u>-</u>	<u>158,049</u>	<u>254,911</u>	<u>162,766</u>
Net property (Note 2)	-	2,728,604	-	-	2,728,604	-	6,547,994	-	-	6,547,994	9,276,598	8,451,321
Due to/due from	1,983	-	-	-	1,983	-	(1,983)	-	-	(1,983)	-	-
Total Assets	<u>\$ 2,391,648</u>	<u>\$ 2,728,604</u>	<u>\$ 43,260</u>	<u>\$ 53,602</u>	<u>\$ 5,217,114</u>	<u>\$ 343,669</u>	<u>\$ 6,546,011</u>	<u>\$ 158,049</u>	<u>\$ 7,047,729</u>	<u>\$ 12,264,843</u>	<u>\$ 10,259,583</u>	
LIABILITIES & NET ASSETS												
Current Liabilities												
Accounts payable	\$ 9,544	\$ -	\$ -	\$ -	\$ 9,544	\$ -	\$ 294	\$ -	\$ -	\$ 294	\$ 9,838	\$ 513,017
Accrued salaries & payroll taxes	31,307	-	-	-	31,307	-	-	-	-	-	31,307	34,060
Current maturities of long-term debt (Note 6)	-	-	-	-	-	-	-	-	-	-	-	5,596
Total Current Liabilities	<u>40,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,851</u>	<u>-</u>	<u>294</u>	<u>-</u>	<u>-</u>	<u>294</u>	<u>41,145</u>	<u>552,673</u>
Long-Term Liabilities												
Refundable advances (Note 5)	-	875,000	-	-	875,000	-	1,750,000	-	-	1,750,000	2,625,000	2,008,974
Total Long-Term Liabilities	<u>-</u>	<u>875,000</u>	<u>-</u>	<u>-</u>	<u>875,000</u>	<u>-</u>	<u>1,750,000</u>	<u>-</u>	<u>-</u>	<u>1,750,000</u>	<u>2,625,000</u>	<u>2,008,974</u>
Total Liabilities	<u>40,851</u>	<u>875,000</u>	<u>-</u>	<u>-</u>	<u>915,851</u>	<u>-</u>	<u>1,750,294</u>	<u>-</u>	<u>-</u>	<u>1,750,294</u>	<u>2,666,145</u>	<u>2,561,647</u>
Net Assets												
Without donor restrictions	2,350,797	1,853,604	-	-	4,204,401	343,669	4,795,717	-	-	5,139,386	9,343,787	7,028,837
Board designated	-	-	-	-	-	-	-	-	-	-	-	494,433
With donor restrictions (Note 7)	-	-	43,260	53,602	96,862	-	-	158,049	-	158,049	254,911	174,666
Total Net Assets	<u>2,350,797</u>	<u>1,853,604</u>	<u>43,260</u>	<u>53,602</u>	<u>4,301,263</u>	<u>343,669</u>	<u>4,795,717</u>	<u>158,049</u>	<u>158,049</u>	<u>5,297,435</u>	<u>9,598,698</u>	<u>7,697,936</u>
Total Liabilities & Net Assets	<u>\$ 2,391,648</u>	<u>\$ 2,728,604</u>	<u>\$ 43,260</u>	<u>\$ 53,602</u>	<u>\$ 5,217,114</u>	<u>\$ 343,669</u>	<u>\$ 6,546,011</u>	<u>\$ 158,049</u>	<u>\$ 7,047,729</u>	<u>\$ 12,264,843</u>	<u>\$ 10,259,583</u>	

The Accompanying Notes are an Integral Part of these Combining and Combined Financial Statements

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Activities
For the Year Ended June 30, 2020

	2020												2019 Comparative Combined Total
	Good Shepherd					Lakeside Partners					Eliminating Adjustments	Combined Total	
	Without Donor Restrictions		With Donor Restrictions		Total	Without Donor Restrictions		With Donor Restrictions		Total			
	Operations	Property	Purpose or Time Restricted	Perpetual in Nature		Operations	Property	Purpose or Time Restricted	Total				
SUPPORT & REVENUE													
Department of Veterans Affairs - Per Diem	\$ -	\$ -	\$ 216,225	\$ -	\$ 216,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,225	\$ 226,710
City of Wilmington	-	-	89,055	-	89,055	-	-	-	-	-	-	89,055	89,055
FEMA	-	-	15,210	-	15,210	-	-	-	-	-	-	15,210	14,529
New Hanover County	-	-	60,000	-	60,000	-	-	-	-	-	-	60,000	46,250
NC DHHS - ESGP	-	-	68,188	-	68,188	-	-	-	-	-	-	68,188	62,783
United Way	-	-	48,600	-	48,600	-	-	-	-	-	-	48,600	48,600
Cape Fear Memorial Foundation	-	-	75,000	-	75,000	-	-	-	-	-	-	75,000	75,000
Lehto Foundation	50,000	-	-	-	50,000	-	-	-	-	-	-	50,000	-
Payroll Protection Plan	-	-	262,600	-	262,600	-	-	-	-	-	-	262,600	-
Federal Home Loan Bank	-	-	-	-	-	-	-	399,970	399,970	-	-	399,970	-
Contributions	1,526,839	-	102,154	-	1,628,993	46,719	-	-	46,719	-	-	1,675,712	2,162,431
In-kind contributions	2,045,455	-	-	-	2,045,455	-	1,000,000	-	1,000,000	-	-	3,045,455	2,301,532
Special events, net	299,563	-	-	-	299,563	-	-	-	-	-	-	299,563	435,429
Investment income, net	16,385	-	2,116	-	18,501	1,406	-	-	1,406	-	-	19,907	40,440
Program service fees	34,122	-	-	-	34,122	307,981	-	-	307,981	-	-	342,103	177,150
Management fee income (Note 11)	76,500	-	-	-	76,500	-	-	-	-	(76,500)	-	-	-
Other income	16,788	-	-	-	16,788	41	-	-	41	-	-	16,829	3,334
Net assets released from restriction	948,932	-	(948,932)	-	-	399,970	-	(399,970)	-	-	-	-	-
Total Support & Revenue	5,014,584	-	(9,784)	-	5,004,800	756,117	1,000,000	-	1,756,117	(76,500)	-	6,684,417	5,683,243
EXPENSES													
Program	3,803,924	135,330	-	-	3,939,254	206,088	167,306	-	373,394	(76,500)	-	4,236,148	4,327,379
Administration	261,901	23,882	-	-	285,783	1,065	-	-	1,065	-	-	286,848	253,543
Fundraising	260,659	-	-	-	260,659	-	-	-	-	-	-	260,659	230,606
Total Expenses	4,326,484	159,212	-	-	4,485,696	207,153	167,306	-	374,459	(76,500)	-	4,783,655	4,811,528
Change in Net Assets	688,100	(159,212)	(9,784)	-	519,104	548,964	832,694	-	1,381,658	-	-	1,900,762	871,715
Net Assets, Beginning	1,732,500	1,943,013	53,044	53,602	3,782,159	357,962	3,489,795	68,020	3,915,777	-	-	7,697,936	6,826,221
Transfers	(69,803)	69,803	-	-	-	(563,257)	473,228	90,029	-	-	-	-	-
Net Assets, Ending	\$ 2,350,797	\$ 1,853,604	\$ 43,260	\$ 53,602	\$ 4,301,263	\$ 343,669	\$ 4,795,717	\$ 158,049	\$ 5,297,435	\$ -	\$ -	\$ 9,598,698	\$ 7,697,936

The Accompanying Notes are an Integral Part of these Combining and Combined Financial Statements

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Functional Expenses
For the Year Ended June 30, 2020

	2020							
	Program		Administration		Fundraising		Eliminating Adjustments	Combined Total
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners		
Salaries	\$ 877,633	\$ -	\$ 170,501	\$ -	\$ 208,320	\$ -	\$ -	\$ 1,256,454
Employee benefits	94,564	-	18,371	-	22,447	-	-	135,382
Payroll taxes	69,226	-	13,449	-	16,432	-	-	99,107
Total Salaries & Related Expenses	<u>1,041,423</u>	<u>-</u>	<u>202,321</u>	<u>-</u>	<u>247,199</u>	<u>-</u>	<u>-</u>	<u>1,490,943</u>
Contract labor	-	4,235	-	-	-	-	-	4,235
Professional fees	21,544	86,682	14,634	-	4,471	-	(76,500)	50,831
Other program expenses	282,868	-	-	-	-	-	-	282,868
Donations (Note 9)	31,334	-	-	-	-	-	-	31,334
Client purchases	58,165	-	-	-	-	-	-	58,165
Furniture & equipment expenses	14,409	-	1,757	-	1,406	-	-	17,572
Office expenses	1,545	9,585	188	1,065	151	-	-	12,534
Supplies	44,260	-	5,398	-	4,317	-	-	53,975
Staff development	1,232	-	150	-	121	-	-	1,503
Rent	7,192	-	464	-	77	-	-	7,733
Utilities	111,105	76,089	7,168	-	1,195	-	-	195,557
Repairs & maintenance	55,998	6,972	3,613	-	602	-	-	67,185
Transportation	16,084	1,658	-	-	162	-	-	17,904
Insurance	89,164	19,408	5,753	-	958	-	-	115,283
In-kind expenses	2,025,000	-	20,455	-	-	-	-	2,045,455
Bad debt	-	1,459	-	-	-	-	-	1,459
Miscellaneous	<u>2,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,601</u>
Total Expenses	<u>3,803,924</u>	<u>206,088</u>	<u>261,901</u>	<u>1,065</u>	<u>260,659</u>	<u>-</u>	<u>(76,500)</u>	<u>4,457,137</u>
Depreciation	135,330	167,306	23,882	-	-	-	-	326,518
Special events	-	-	-	-	63,510	-	-	63,510
Total Functional Expenses	<u>3,939,254</u>	<u>373,394</u>	<u>285,783</u>	<u>1,065</u>	<u>324,169</u>	<u>-</u>	<u>(76,500)</u>	<u>4,847,165</u>
Special events net in revenue	-	-	-	-	(63,510)	-	-	(63,510)
Total Combined Statement of Activities Expenses	<u>\$ 3,939,254</u>	<u>\$ 373,394</u>	<u>\$ 285,783</u>	<u>\$ 1,065</u>	<u>\$ 260,659</u>	<u>\$ -</u>	<u>\$ (76,500)</u>	<u>\$ 4,783,655</u>

The Accompanying Notes are an Integral Part of these Combining and Combined Financial Statements

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Functional Expenses
For the Year Ended June 30, 2019

	2019							
	Program		Administration		Fundraising		Eliminating Adjustments	Combined Total
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners		
Salaries	\$ 755,889	\$ -	\$ 146,849	\$ -	\$ 179,422	\$ -	\$ -	\$ 1,082,160
Employee benefits	79,517	-	15,448	-	18,874	-	-	113,839
Payroll taxes	59,377	-	11,535	-	14,094	-	-	85,006
Total Salaries & Related Expenses	<u>894,783</u>	<u>-</u>	<u>173,832</u>	<u>-</u>	<u>212,390</u>	<u>-</u>	<u>-</u>	<u>1,281,005</u>
Contract labor	-	2,518	-	-	-	-	-	2,518
Professional fees	3,632	45,922	2,467	-	754	-	(35,000)	17,775
Other program expenses	142,195	-	-	-	-	-	-	142,195
Donations (Note 9)	375,000	-	-	-	-	-	-	375,000
Client purchases	10,947	-	-	-	-	-	-	10,947
Furniture & equipment expenses	16,238	-	1,980	-	1,585	-	-	19,803
Office expenses	1,466	10,183	179	1,132	143	-	-	13,103
Supplies	49,780	-	6,071	-	4,856	-	-	60,707
Staff development	5,729	-	699	-	559	-	-	6,987
Rent	7,451	-	481	-	80	-	-	8,012
Utilities	123,832	39,129	7,989	-	1,332	-	-	172,282
Repairs & maintenance	38,502	3,043	2,484	-	414	-	-	44,443
Transportation	19,218	436	-	-	194	-	-	19,848
Interest	4,744	-	306	-	51	-	-	5,101
Insurance	76,347	11,889	4,926	-	821	-	-	93,983
In-kind expenses	2,278,517	-	23,015	-	-	-	-	2,301,532
Bad debt	15,343	860	-	-	-	-	-	16,203
Miscellaneous	5,651	-	-	-	-	-	-	5,651
Total Expenses	<u>4,069,375</u>	<u>113,980</u>	<u>224,429</u>	<u>1,132</u>	<u>223,179</u>	<u>-</u>	<u>(35,000)</u>	<u>4,597,095</u>
Depreciation	118,235	75,333	20,865	-	-	-	-	214,433
Special events	-	-	-	-	83,773	-	-	83,773
Total Functional Expenses	<u>4,187,610</u>	<u>189,313</u>	<u>245,294</u>	<u>1,132</u>	<u>306,952</u>	<u>-</u>	<u>(35,000)</u>	<u>4,895,301</u>
Special events net in revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,773)</u>	<u>-</u>	<u>-</u>	<u>(83,773)</u>
Total Combined Statement of Activities Expenses	<u>\$ 4,187,610</u>	<u>\$ 189,313</u>	<u>\$ 245,294</u>	<u>\$ 1,132</u>	<u>\$ 223,179</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 4,811,528</u>

The Accompanying Notes are an Integral Part of these Combining and Combined Financial Statements

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Cash Flows
For the Year Ended June 30, 2020

	2020						2019 Comparative Combined Total	
	Good Shepherd			Lakeside Partners				Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Cash Flows From Operating Activities								
Cash Collections for:								
Contributions & other	\$ 5,654,779	\$ (11,900)	\$ 5,642,879	\$ 404,194	\$ -	\$ 404,194	\$ 6,047,073	\$ 6,018,322
Investment income, net	14,109	-	14,109	1,406	-	1,406	15,515	28,123
Less: Cash payments for expenses	(4,494,218)	-	(4,494,218)	(877,465)	-	(877,465)	(5,371,683)	(4,850,323)
Net Cash Provided (Used) By Operating Activities	1,174,670	(11,900)	1,162,770	(471,865)	-	(471,865)	690,905	1,196,122
Cash Flows From Investing Activities								
Purchase of property & equipment	(64,207)	-	(64,207)	(87,588)	-	(87,588)	(151,795)	(2,686,356)
Transfers to required reserves	-	-	-	(90,029)	-	(90,029)	(90,029)	(8,373)
Purchases & proceeds of investments, net	(8,179)	-	(8,179)	-	-	-	(8,179)	(8,418)
Net Cash Provided (Used) By Investing Activities	(72,386)	-	(72,386)	(177,617)	-	(177,617)	(250,003)	(2,703,147)
Cash Flows From Financing Activities								
Payments of principal	-	-	-	-	-	-	-	(34,350)
Proceeds from refundable advances	-	-	-	616,026	-	616,026	616,026	283,974
Net Cash Provided (Used) By Financing Activities	-	-	-	616,026	-	616,026	616,026	249,624
Net Increase (Decrease) in Cash	1,102,284	(11,900)	1,090,384	(33,456)	-	(33,456)	1,056,928	(1,257,401)
Cash & Cash Equivalents, Beginning	811,046	11,900	822,946	348,264	-	348,264	1,171,210	2,428,611
Cash & Cash Equivalents, Ending	\$ 1,913,330	\$ -	\$ 1,913,330	\$ 314,808	\$ -	\$ 314,808	\$ 2,228,138	\$ 1,171,210
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:								
Change in net assets	\$ 528,888	\$ (9,784)	\$ 519,104	\$ 1,381,658	\$ -	\$ 1,381,658	\$ 1,900,762	\$ 871,715
Unrealized investment (gain) loss	(2,276)	(2,116)	(4,392)	-	-	-	(4,392)	(12,317)
Amortization of NCHFA note discounts	(5,596)	-	(5,596)	-	-	-	(5,596)	(899)
Depreciation	159,212	-	159,212	167,306	-	167,306	326,518	214,433
Donated assets	-	-	-	(1,000,000)	-	(1,000,000)	(1,000,000)	-
(Increase) Decrease in:								
Prepaid expenses	(1,681)	-	(1,681)	(15,685)	-	(15,685)	(17,366)	5,145
Pledges receivable, net	-	-	-	-	-	-	-	112,415
Grants & other receivables	389	-	389	(3,478)	-	(3,478)	(3,089)	8,526
Due to/due from	498,660	-	498,660	(498,660)	-	(498,660)	-	-
Increase (Decrease) in:								
Accounts payable	(173)	-	(173)	(503,006)	-	(503,006)	(503,179)	(5,228)
Accrued salaries & payroll taxes	(2,753)	-	(2,753)	-	-	-	(2,753)	2,332
Net Cash Provided (Used) By Operating Activities	\$ 1,174,670	\$ (11,900)	\$ 1,162,770	\$ (471,865)	\$ -	\$ (471,865)	\$ 690,905	\$ 1,196,122
Supplemental Disclosure								
Interest paid							\$ -	\$ 5,101
Income taxes paid							\$ -	\$ -

The Accompanying Notes are an Integral Part of these Combining and Combined Financial Statements

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

1. ORGANIZATION

The accompanying combining and combined financial statements include Good Shepherd Ministries of Wilmington, Inc. ("Good Shepherd") and its affiliate, Lakeside Partners of Wilmington, Inc. ("Lakeside Partners"), collectively referred to as the "Organization". These entities are related through common control and financial interdependence. All intercompany transactions are eliminated in the combining and combined financial statements.

Good Shepherd is a non-profit organization incorporated on March 17, 1987. Good Shepherd is exempt from federal income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, contributions to Good Shepherd may be deductible by donors and related purpose income is exempt from income tax. Good Shepherd files Form 990, *Return of Organization Exempt From Income Tax*, with the IRS and North Carolina Department of Revenue.

The mission of Good Shepherd is to feed the hungry, shelter the homeless, and foster transition to housing. Established as a soup kitchen in 1983, Good Shepherd has evolved over the years to provide a Day Shelter, Night Shelter, and, in 2001, the Sgt. Eugene Ashley Center, which provides transitional and permanent supportive housing for Veterans and men with disabilities. The Day Shelter provides the chronically homeless with a low-demand safe haven where they may receive mail and clean clothing and have access to telephones, restrooms, and showers. Guests also benefit from an on-site medical clinic, operated in partnership with the New Hanover County Health Department, which provides free, non-threatening access to health screenings, prescriptions, wound care, and more.

Annually, the Second Helpings Program redistributes as much as 500 tons of salvaged food, which would have otherwise been thrown away, to area programs for the low-income, children, and the elderly, in addition to enabling the soup kitchen to serve as many as 500 meals daily to the hungry.

Already the largest provider of homeless services in the tri-county area, Good Shepherd opened its Night Shelter in 2005 to better respond to an unmet need for emergency overnight beds. Open every night, year-round, the Night Shelter can accommodate up to 118 homeless men, women, and families with children each night, providing them not only a bed, but access to food, clothing, restrooms, showers, individual case management, and housing placement. Trained staff members work with guests in developing and working toward a plan for becoming housed again.

Annually, Good Shepherd transitions approximately 150 men, women, and children from homelessness to stable housing.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

Lakeside Partners is a non-profit corporation that received its 501(c)(3) designation in 2015. Good Shepherd, in partnership with Lakeside Partners, has been developing affordable housing and supportive services to those in need. On November 12, 2015, the City of Wilmington conveyed a 4.26 acre parcel of property to Lakeside Partners with a restriction that the property be developed and used as permanent supportive housing for the formerly homeless.

On this property, Lakeside Partners has developed a community called SECU Lakeside Reserve, which consists of 40 units of permanent supportive housing built for chronically homeless persons with disabilities, including seniors and Veterans. The community also provides common areas for group activities, on-site case management, and supportive services (e.g. transportation, counseling, etc.) provided by Good Shepherd's staff. The housing has been developed in two phases. The first phase is a congregate living facility with 16 one-bedroom housing units, which opened in 2017. The second phase of the community consists of six "breezeway quads" with an additional 24 one-bedroom housing units, which was completed on July 5, 2019. Lakeside Partners received the funds for these units through capital campaign contributions, grants, and loan commitments from the North Carolina Housing Finance Agency ("NCHFA") and the City of Wilmington through the HOME Investment Partnership Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09—Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate

Notes to Combining and Combined Financial Statements

June 30, 2020

Basis of Presentation

The Organization prepares its combining and combined financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the combining and combined financial statements to the reader.

Use of Estimates

The preparation of combining and combined financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining and combined financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The combining and combined financial statements classify net assets and changes in net assets based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has spent the \$494,433 of board designated funds from net assets without donor restrictions for the purpose of increased hours for a clinical nurse, Lakeside Partners operations, and capital items during the year.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. From time to time during the periods presented, the Organization has had cash balances in banks that have exceeded federal depository insurance limits. Certain of the Organization's refundable advances (see Note 5) require separate cash reserve amounts to be maintained. These amounts have been included with cash and cash equivalents as shown below. Cash and cash equivalents are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Good Shepherd		
Wells Fargo - Operating Checking	\$ 1,313,501	\$ 627,224
Live Oak - Money Market	599,829	193,632
Live Oak - Lakeside LOC	-	2,090
Total Good Shepherd	<u>1,913,330</u>	<u>822,946</u>
Lakeside Partners		
Wells Fargo - Operating Checking	85,362	13,512
South State Bank - Construction Checking	<u>229,446</u>	<u>334,752</u>
Total Lakeside Partners	<u>314,808</u>	<u>348,264</u>
Total Cash & Cash Equivalents	<u>\$ 2,228,138</u>	<u>\$ 1,171,210</u>

Fair Value Measurements

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The primary use for fair value measures in the Organization's combining and combined financial statements is for recurring measurement of investments (see Note 4).

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

Grants and Other Receivables

Grants and other receivables are primarily unsecured, non-interest bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding grants and other receivables are collectible in full; therefore, no allowance for uncollectible receivables has been provided.

Property and Equipment

Property and equipment are reported in the combining and combined statement of financial position at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Other property and equipment are capitalized if they have a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation of property and equipment, other than land and work in process, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings & improvements	30-39 years
Furniture & equipment	5-10 years
Vehicles	5 years
Technology	3-5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the combining and combined financial statements in the current period. The following is a summary of property accounts as of June 30:

	2020		2019	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Land	\$ 322,685	\$ 1,000,000	\$ 322,685	\$ -
Buildings & improvements	3,996,527	5,830,732	3,996,527	2,756,137
Furniture & equipment	450,373	35,234	417,575	32,640
Vehicles	274,437	-	243,028	-
Technology	83,881	-	83,881	-
Work in process - construction	-	-	-	2,989,601
	5,127,903	6,865,966	5,063,696	5,778,378
Less: Accumulated depreciation	(2,399,299)	(317,972)	(2,240,087)	(150,666)
Net Property	<u>\$ 2,728,604</u>	<u>\$ 6,547,994</u>	<u>\$ 2,823,609</u>	<u>\$ 5,627,712</u>

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

Where contributed services and materials meet the criteria for recognition, they are recorded as in-kind contributions. The fair market value of in-kind contributions (primarily food, clothing, and supplies) was \$3,045,455 for the year ended June 30, 2020 and \$2,301,532 for the year ended June 30, 2019. In fiscal year 2020, Lakeside Partners received an in-kind contribution of land with a fair market value of \$1,000,000. While many individuals volunteer their time and perform a variety of tasks for the Organization, these services do not meet the criteria for recognition and, therefore, are not reflected in the combining and combined financial statements.

Expense Recognition and Allocation

The cost of providing the various programs and supporting activities of the Organization has been summarized on a functional basis in the combining and combined statement of activities and combining and combined statement of functional expenses. Total expenses for the year ended June 30, 2020 were \$4,847,165, which includes \$63,510 of netted special events direct expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases, such as time spent, salaries, square feet, and other bases.

Administration expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Administration activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and administration expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

Income Taxes

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combining and combined financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

Comparative Financial Information

The accompanying combining and combined financial statements include certain prior year summarized comparative, combined information in total, but not by entity or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's combining and combined audited financial statements for the year ended June 30, 2019, from which the summarized combined information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through September 14, 2020, which is the date the combining and combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combining and combined financial statements would be required.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet general expenditures over the next 12 months are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Operating Assets at Year End:		
Cash & cash equivalents	\$ 2,228,138	\$ 1,159,310
Investments convertible to cash in the next 12 months	397,120	386,665
Grants & other receivables	<u>58,671</u>	<u>55,582</u>
Total Operating Assets at Year End	<u>2,683,929</u>	<u>1,601,557</u>
Plus: Net assets with purpose or time restrictions to be met in less than a year	<u>43,260</u>	<u>53,044</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 2,727,189</u>	<u>\$ 1,654,601</u>

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying combining and combined statement of cash flows on page 7 identifies the sources and uses of cash and shows positive cash generated by operations. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

4. INVESTMENTS

Investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair values in the combining and combined statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Board of Directors of Good Shepherd has adopted an Investment Policy to provide for the creation of and guidelines for the management of an Operating Fund and a Short-Term Reserve Fund (the "Funds"). The Funds were created for the purpose of managing investment risk and optimizing investment returns within acceptable risk parameters. The Investment Policy provides guidelines for achieving the objectives of the Funds and assigns oversight of the Funds to the Finance Committee with quarterly reporting and semi-annual evaluation of the Funds' performance. The Organization had the following investments, concentrations, and maturities as of June 30:

	<u>2020</u>	<u>2019</u>
Cash & cash equivalents	\$ 6,570	\$ 4,649
Stocks, options, & ETFs	5,773	6,201
Mutual funds	<u>384,777</u>	<u>375,815</u>
Total Investments	<u>\$ 397,120</u>	<u>\$ 386,665</u>

As of June 30, 2020 and 2019, all investments were considered Level 1 investments.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

5. REFUNDABLE ADVANCES

The Organization had refundable advances of \$2,625,000 as of June 30, 2020 resulting from various transactions used to finance the Organization's facilities. The advances have been recorded in the combining and combined financial statements as conditional gifts and, therefore, will be recognized as revenue when the conditions are met. The Organization has not been notified of any event of default for any of the refundable advances as of June 30, 2020. The refundable advances are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Good Shepherd		
On June 27, 2001, the City of Wilmington provided \$475,000 to purchase a building on Colwell Avenue. The note is non-interest bearing and is to be repaid if the building is not used for the approved purpose at any time through 2031.	\$ 475,000	\$ 475,000
On January 11, 2006, North Carolina Housing Finance Agency ("NCHFA") provided \$400,000 for the construction of an overnight shelter. The note is non-interest bearing. As long as Good Shepherd uses the shelter for its intended purpose, no payments are due until April 1, 2036. At that time, a second 30-year extension on payment of principal may be made.	<u>400,000</u>	<u>400,000</u>
Total Good Shepherd	<u>875,000</u>	<u>875,000</u>
Lakeside Partners		
On August 31, 2017, NCHFA provided \$600,000 for the construction of Phase I, a 16-unit apartment complex providing housing for chronically homeless persons with disabilities. The 20-year note is non-interest bearing. As long as Lakeside Partners uses Phase I for its intended purposes, no payments are due until September 1, 2037, at which point Lakeside Partners may request the loan to be refinanced at the same terms for another 20 years.	600,000	600,000
On September 19, 2019, NCHFA provided \$600,000 for the construction of Phase II, a 24-unit apartment complex providing housing for chronically homeless persons with disabilities. The 30-year note is non-interest bearing. As long as Lakeside Partners uses Phase II for its intended purposes, no payments are due until October 1, 2047, at which point Lakeside Partners may request the loan to be refinanced at the same terms for another 30 years.	600,000	-
On November 17, 2016, the City of Wilmington and Lakeside Partners signed a 20-year non-interest bearing note for up to \$250,000 for assistance with the construction of Phase I under the provisions of the HOME Investment Partnership Act ("HOME"). As long as Lakeside Partners uses Phase I for its intended purposes as outlined in the agreement with HOME, no payments are due on the loan for 20 years, at which point the entire principal and interest balances are to be forgiven.	250,000	250,000
On March 4, 2019, the City of Wilmington and Lakeside Partners signed a 20-year non-interest bearing note for up to \$300,000 for assistance with the construction of Phase II under the provisions of the HOME Investment Partnership Act ("HOME"). As long as Lakeside Partners uses Phase II for its intended purposes as outlined in the agreement with HOME, no payments are due on the loan for 20 years, at which point the entire principal and interest balances are to be forgiven.	<u>300,000</u>	<u>283,974</u>
Total Lakeside Partners	<u>1,750,000</u>	<u>1,133,974</u>
Total Refundable Advances	<u>\$ 2,625,000</u>	<u>\$ 2,008,974</u>

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

The HOME Program promissory note with the City of Wilmington requires Lakeside Partners to maintain replacement reserves in a separate bank account to be used exclusively to pay for capital improvements and replacements of capital improvements for Lakeside Partners. The agreement requires an \$8,000 reserve upon the closing of the loan and requires additional amounts, increased by 2.0% each year, to be deposited each year after the closing date. See Note 7.

The NCHFA loan agreement requires Lakeside Partners to maintain operating reserves as of the date of the closing of the loan with a minimum required balance of \$43,470 for Phase I and \$45,380 for Phase II. The funds may only be used to cover the project's operating deficits for Phase I and Phase II, respectively. See Note 7.

6. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
A non-interest bearing note payable, dated July 19, 1999, to North Carolina Housing Finance Agency for \$120,000 collateralized by the building on Colwell Avenue. No stated payments are due. If Good Shepherd uses the Colwell Avenue property for its intended charitable purposes, \$6,000 is to be forgiven annually for 20 years. The loan has been discounted to its present value using an estimated market interest rate of 7%.	\$ -	\$ 5,596
Total Debt	<u>-</u>	<u>5,596</u>
Less: Current maturities	<u>-</u>	<u>(5,596)</u>
Long-Term Debt, Net	<u>\$ -</u>	<u>\$ -</u>

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of June 30:

	2020		2019	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Subject to Expenditure for Specified Purpose:				
Self-sufficiency	\$ 43,260	\$ -	\$ 41,144	\$ -
Repairs & housing	-	-	8,900	-
Supplies	-	-	3,000	-
HOME note (Note 5)	-	37,487	-	24,490
NCHFA loan (Note 5)	-	120,562	-	43,530
Total Expenditures for Specified Purposes	<u>\$ 43,260</u>	<u>\$ 158,049</u>	<u>\$ 53,044</u>	<u>\$ 68,020</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2020		2019	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Satisfaction of Restrictions:				
Repairs & housing	\$ 168,850	\$ -	\$ 198,565	\$ -
Payroll, rent, & utilities	262,600	-	-	-
Time restricted	517,482	-	557,348	-
Phase II construction	-	399,970	-	112,415
Total Net Assets Released From Restriction	<u>\$ 948,932</u>	<u>\$ 399,970</u>	<u>\$ 755,913</u>	<u>\$ 112,415</u>

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

8. RISING TIDE FUND

The Rising Tide Fund (the "Fund") includes the original value of a permanently restricted gift donated to Good Shepherd. Related income is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the Fund's objectives. The Board of Directors of Good Shepherd has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to manage the Fund.

The Fund's changes in net assets are as follows for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or Time Restricted	Perpetual in Nature	
Rising Tide Fund net assets, beginning	\$ -	\$ 41,144	\$ 53,602	\$ 94,746
Contributions	-	-	-	-
Investment income	-	1,898	-	1,898
Net appreciation (depreciation)	-	1,019	-	1,019
Advisory fees	(801)	-	-	(801)
Released from restriction	801	(801)	-	-
Rising Tide Fund net assets, ending	\$ -	\$ 43,260	\$ 53,602	\$ 96,862

The Fund's net asset composition is as follows as of June 30, 2020:

	<u>Fair Value</u>
Cash & money market funds	\$ 2,630
Investments	<u>94,232</u>
Total	<u>\$ 96,862</u>

Investment Return Objectives, Risk Parameters, and Strategies. The Fund has adopted investment policies, approved by the Board of Directors, that attempt to provide a predictable stream of funding for the Fund while also maintaining purchasing power of the assets in the Fund over the long-term. The target asset mix for the Fund is 32% cash investments and 68% equity investments. Good Shepherd expects the Fund's assets, over time, to produce a rate of return in excess of 3%. Actual returns in any year may differ from this amount. Investment decisions are managed by Good Shepherd to not expose the Fund to unacceptable risks.

Spending Policy. The Fund seeks to identify persons who use Good Shepherd's other programs and have demonstrated a strong commitment to achieving a productive and sustaining life. Management identifies candidates then the Board approves candidates and expenditures from donor-restricted funds that will help the beneficiary attain self-sufficiency. Spending occurs as net assets with donor restrictions are available and as candidates have been identified and approved.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

9. RELATED PARTY

The Clark James Foundation, Inc. (the "Foundation") was created as a 501(c)(3) organization to support Good Shepherd exclusively. Two board members of Good Shepherd also serve as board members of the Foundation. However, Good Shepherd does not control the Foundation through appointments or voting interest. Contributions of \$228,334 for the year ended June 30, 2020 and \$226,001 for the year ended June 30, 2019 from the Foundation are included in the accompanying combining and combined financial statements. Good Shepherd contributed \$31,334 for the year ended June 30, 2020 and \$375,000 for the year ended June 30, 2019 to the Foundation. The expenses are included in the accompanying combining and combined financial statements.

10. CONTINGENT ASSETS

During September 2019, an endowment was established at the North Carolina Community Foundation to support the mission of Good Shepherd. The earnings from the endowment currently estimate about \$40,000 and are available or may be reinvested at the direction of Good Shepherd, with no restrictions from the donor.

11. MANAGEMENT PLAN AND AGREEMENT

During fiscal year 2017, Good Shepherd entered into a Management Plan and Agreement (the "Management Plan") with Lakeside Partners. Under the Management Plan, Good Shepherd agrees to manage and operate Lakeside Partner's Phase I, Phase II, and all related programs in return for an annual management fee from Lakeside Partners. Management fee income of \$76,500 for the year ended June 30, 2020 and \$35,000 for the year ended June 30, 2019 has been included in Good Shepherd's revenue on the accompanying combining and combined statement of activities. Management fee expense of \$76,500 for the year ended June 30, 2020 and \$35,000 for the year ended June 30, 2019 has been included in Lakeside Partner's professional fees on the accompanying combining and combined statement of functional expenses.

12. RETIREMENT PLAN

Good Shepherd established an SEP/IRA retirement plan, which covers all employees who have at least six months of work experience and compensation over \$450. The plan permits Good Shepherd to contribute up to 25% of salaries annually. Management determines the contribution amount annually based on an analysis of operating performance and cash available at calendar year end. Retirement expense was \$45,000 for the year ended June 30, 2020 and \$40,000 for the year ended June 30, 2019.

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Notes to Combining and Combined Financial Statements
June 30, 2020

13. RISK MANAGEMENT

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Organization purchases commercial insurance coverage against risk of loss due to errors and omissions, property damage and theft, and various other insurable risks. The Organization carries blanket building and blanket content insurance in the amount of \$4,305,000 for 2020 and 2019 with a deductible of \$1,000 for all covered perils, except named windstorm. For 2020 and 2019, the deductible for losses due to windstorm and/or hail was \$5,000 with a 1% named storm deductible per occurrence.

For 2020 and 2019, the Organization was insured for workers' compensation and employer's liability. In both 2020 and 2019, general liability was written on an occurrence basis. Excess commercial liability insurance is purchased to provide coverage above the underlying limits for general liability, auto liability, employer's liability, and employee benefits liability.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.