Good Shepherd Ministries
of Wilmington, Inc.
and Affiliate

Combining and Combined Financial Statements

For the Year Ended June 30, 2023

(with Comparative Totals for 2022)

Good Shepherd Ministries of Wilmington, Inc. and Affiliate

CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
COMBINING AND COMBINED FINANCIAL STATEMENTS	
Combining and Combined Statement of Financial Position	4
Combining and Combined Statement of Activities	5
Combining and Combined Statements of Functional Expenses	6-7
Combining and Combined Statement of Cash Flows	8
Notes to Combining and Combined Financial Statements	9-22

EARNEY & COMPANY L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combining and Combined Financial Statements section of our report. We are required to be independent of Good Shepherd Ministries of Wilmington, Inc. and affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combining and Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combining and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combining and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Good Shepherd Ministries of Wilmington, Inc. and affiliate's ability to continue as a going concern within one year after the date that the combining and combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combining and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining and combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combining and combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combining and combined financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Good Shepherd Ministries of Wilmington, Inc. and affiliate's internal control. Accordingly, no such opinion is expressed.

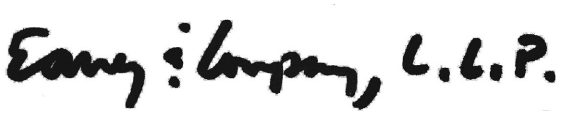
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combining and combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Good Shepherd Ministries of Wilmington, Inc. and affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Good Shepherd Ministries of Wilmington, Inc. and affiliate's 2022 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 12, 2022. In our opinion, the summarized comparative combined information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited combining and combined financial statements from which it has been derived.



Wilmington, North Carolina
September 18, 2023

Good Shepherd Ministries of Wilmington, Inc. and Affiliate
Combining and Combined Statement of Financial Position
As of June 30, 2023

	2023										
	Good Shepherd					Lakeside Partners					
	Without Donor Restrictions		With Donor Restrictions			Without Donor Restrictions		With Donor Restrictions			
	Operations	Property	Purpose or Time Restricted	Perpetual in Nature	Total	Operations	Property	Purpose or Time Restricted	Total	Combined Total	2022 Comparative Combined Total
ASSETS											
Current Assets											
Cash & cash equivalents	$ 1,789,924	$ -	$ -	$ -	$ 1,789,924	$ 177,898	$ -	$ 1,441,247	$ 1,619,145	$ 3,409,069	$ 1,590,135
Prepaid expenses	50,908	-	-	-	50,908	57,414	-	-	57,414	108,322	84,411
Investments	432,200	-	-	-	432,200	226,509	-	-	226,509	658,709	623,914
Grants & other receivables	172,529	-	-	-	172,529	1,566	-	-	1,566	174,095	184,359
Pledges receivable, net (Note 5)	-	-	-	-	-	-	-	496,228	496,228	496,228	-
Total Current Assets	2,445,561	-	-	-	2,445,561	463,387	-	1,937,475	2,400,862	4,846,423	2,482,819
Assets Whose Use is Limited											
Rising Tide Fund (Note 8)	-	-	51,286	53,602	104,888	-	-	-	-	104,888	99,168
Required reserves (Note 6)	-	-	-	-	-	-	-	205,568	205,568	205,568	188,400
Strategic capital investments (Note 9)	615,926	-	-	-	615,926	-	-	-	-	615,926	-
Strategic capital investments (Note 9)	163,439	-	-	-	163,439	-	-	-	-	163,439	753,390
NCHFA loan repayment (Note 9)	194,977	-	-	-	194,977	-	-	-	-	194,977	178,315
Total Assets Whose Use is Limited	974,342	-	51,286	53,602	1,079,230	-	-	205,568	205,568	1,284,798	1,219,273
Pledges receivable, net - non-current (Note 5)	-	-	-	-	-	-	-	168,350	168,350	168,350	-
Net property (Note 2)	-	2,755,359	-	-	2,755,359	-	6,108,429	-	6,108,429	8,863,788	9,108,253
Total Assets	$ 3,419,903	$ 2,755,359	$ 51,286	$ 53,602	$ 6,280,150	$ 463,387	$ 6,108,429	$ 2,311,393	$ 8,883,209	$ 15,163,359	$ 12,810,345
LIABILITIES & NET ASSETS											
Current Liabilities											
Accounts payable	$ 43,224	$ -	$ -	$ -	$ 43,224	$ 202	$ -	$ -	$ 202	$ 43,426	$ 19,290
Accrued salaries & payroll taxes	49,392	-	-	-	49,392	-	-	-	-	49,392	30,592
Total Current Liabilities	92,616	-	-	-	92,616	202	-	-	202	92,818	49,882
Long-Term Liabilities											
Refundable advances (Note 6)	-	875,000	-	-	875,000	-	1,750,000	-	1,750,000	2,625,000	2,625,000
Total Long-Term Liabilities	-	875,000	-	-	875,000	-	1,750,000	-	1,750,000	2,625,000	2,625,000
Total Liabilities	92,616	875,000	-	-	967,616	202	1,750,000	-	1,750,202	2,717,818	2,674,882
Net Assets											
Without donor restrictions	2,352,945	1,880,359	-	-	4,233,304	463,185	4,358,429	-	4,821,614	9,054,918	8,851,190
Without donor restrictions board designated (Note 9)	974,342	-	-	-	974,342	-	-	445,328	445,328	1,419,670	931,705
With donor restrictions (Note 7)	-	-	51,286	53,602	104,888	-	-	1,866,065	1,866,065	1,970,953	352,568
Total Net Assets	3,327,287	1,880,359	51,286	53,602	5,312,534	463,185	4,358,429	2,311,393	7,133,007	12,445,541	10,135,463
Total Liabilities & Net Assets	$ 3,419,903	$ 2,755,359	$ 51,286	$ 53,602	$ 6,280,150	$ 463,387	$ 6,108,429	$ 2,311,393	$ 8,883,209	$ 15,163,359	$ 12,810,345

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, 2023

	2023												
	Good Shepherd					Lakeside Partners							
	Without Donor Restrictions		With Donor Restrictions			Without Donor Restrictions		With Donor Restrictions					
	Operations	Property	Purpose or Time Restricted	Perpetual in Nature	Total	Operations	Property	Purpose or Time Restricted	Total	Eliminating Adjustments	Combined Total	2022 Comparative Combined Total
SUPPORT & REVENUE												
Department of Veterans Affairs - Per Diem	$ -	$ -	$ 308,140	$ -	$ 308,140	$ -	$ -	$ -	$ -	$ -	$ 308,140	$ 183,127
City of Wilmington	-	-	43,788	-	43,788	-	-	-	-	-	43,788	93,295
City of Wilmington CFPUA	-	-	-	-	-	-	-	-	-	-	-	24,310
FEMA	-	-	54,818	-	54,818	-	-	-	-	-	54,818	-
New Hanover County	-	-	64,000	-	64,000	-	-	-	-	-	64,000	64,000
New Hanover County CFPUA	-	-	-	-	-	-	-	-	-	-	-	25,000
NC DHHS - ESGP	-	-	107,863	-	107,863	-	-	-	-	-	107,863	70,002
United Way	-	-	185,000	-	185,000	-	-	-	-	-	185,000	38,000
Cape Fear Memorial Foundation	-	-	75,000	-	75,000	-	-	-	-	-	75,000	-
Lehto Foundation	-	-	50,100	-	50,100	-	-	-	-	-	50,100	50,000
NCORR Hope	-	-	-	-	-	-	-	-	-	-	-	(19,966)
ESG CV	-	-	(15,306)	-	(15,306)	-	-	-	-	-	(15,306)	1,307,478
ERTC funds	357,930	-	-	-	357,930	-	-	-	-	-	357,930	-
NHC Community Endowment	-	-	250,000	-	250,000	-	-	-	-	-	250,000	-
Novant - NHRMC	-	-	25,000	-	25,000	-	-	-	-	-	25,000	-
Capital campaign contributions (Note 7)	-	-	-	-	-	-	-	1,688,379	1,688,379	-	1,688,379	65,000
Contributions	1,324,572	-	29,933	-	1,354,505	446,328	-	-	446,328	-	1,800,833	1,543,718
In-kind contributions	2,173,910	-	-	-	2,173,910	-	-	-	-	-	2,173,910	1,727,216
Special events, net	401,052	-	-	-	401,052	-	-	-	-	-	401,052	488,387
Investment income, net	119,942	-	5,720	-	125,662	13,617	-	-	13,617	-	139,279	(108,686)
Program service fees	38,987	-	-	-	38,987	335,126	-	-	335,126	-	374,113	363,713
Management fee income (Note 12)	112,000	-	-	-	112,000	-	-	-	-	(112,000)	-	-
Other income	2,503	-	-	-	2,503	-	-	-	-	-	2,503	795
Net assets released from restriction	1,243,336	-	(1,243,336)	-	-	65,088	-	(65,088)	-	-	-	-
Total Support & Revenue	5,774,232	-	(59,280)	-	5,714,952	860,159	-	1,623,291	2,483,450	(112,000)	8,086,402	5,915,389
EXPENSES												
Program	4,478,886	185,288	-	-	4,664,174	310,743	155,093	-	465,836	(112,000)	5,018,010	5,263,583
Administration	444,641	32,698	-	-	477,339	170	-	-	170	-	477,509	331,188
Fundraising	280,805	-	-	-	280,805	-	-	-	-	-	280,805	289,449
Total Expenses	5,204,332	217,986	-	-	5,422,318	310,913	155,093	-	466,006	(112,000)	5,776,324	5,884,220
Change in Net Assets	569,900	(217,986)	(59,280)	-	292,634	549,246	(155,093)	1,623,291	2,017,444	-	2,310,078	31,169
Net Assets, Beginning	2,873,845	1,981,887	110,566	53,602	5,019,900	426,261	4,500,902	188,400	5,115,563	-	10,135,463	10,104,294
Transfers	(116,458)	116,458	-	-	-	(512,322)	12,620	499,702	-	-	-	-
Net Assets, Ending	$ 3,327,287	$ 1,880,359	$ 51,286	$ 53,602	$ 5,312,534	$ 463,185	$ 4,358,429	$ 2,311,393	$ 7,133,007	$ -	$ 12,445,541	$ 10,135,463

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, 2023

	2023								2022
	Program		Administration		Fundraising				Comparative
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Eliminating Adjustments	Combined Total	Combined Total
Salaries	$ 1,092,568	$ -	$ 273,722	$ -	$ 202,768	$ -	$ -	$ 1,569,058	$ 1,527,590
Employee benefits	164,755	-	41,276	-	30,578	-	-	236,609	216,208
Payroll taxes	83,919	-	21,024	-	15,574	-	-	120,517	117,491
Total Salaries & Related Expenses	1,341,242	-	336,022	-	248,920	-	-	1,926,184	1,861,289
Contract labor	-	6,519	-	-	-	-	-	6,519	4,915
Professional fees	76,634	-	52,053	-	15,905	-	-	144,592	50,847
Other program expenses	386,603	135,239	-	-	-	-	(112,000)	409,842	1,238,666
Donations (Note 10)	-	-	-	-	-	-	-	-	51,720
Client purchases	67,729	-	-	-	-	-	-	67,729	51,960
Furniture & equipment expenses	31,323	6,041	3,820	-	3,056	-	-	44,240	15,637
Office expenses	5,232	1,530	638	170	510	-	-	8,080	11,880
Supplies	86,756	-	10,580	-	8,464	-	-	105,800	73,190
Staff development	5,902	-	720	-	577	-	-	7,199	4,414
Utilities	135,094	85,916	8,716	-	1,453	-	-	231,179	207,091
Repairs & maintenance	50,920	24,673	3,285	-	548	-	-	79,426	46,755
Transportation	19,194	1,604	-	-	194	-	-	20,992	18,635
Insurance	109,550	46,959	7,068	-	1,178	-	-	164,755	158,496
In-kind expenses	2,152,171	-	21,739	-	-	-	-	2,173,910	1,727,216
Bad debt	-	2,262	-	-	-	-	-	2,262	110
Miscellaneous	10,536	-	-	-	-	-	-	10,536	9,777
Total Expenses	4,478,886	310,743	444,641	170	280,805	-	(112,000)	5,403,245	5,532,598
Depreciation	185,288	155,093	32,698	-	-	-	-	373,079	351,622
Special events	-	-	-	-	91,158	-	-	91,158	97,161
Total Functional Expenses	4,664,174	465,836	477,339	170	371,963	-	(112,000)	5,867,482	5,981,381
Special events net in revenue	-	-	-	-	(91,158)	-	-	(91,158)	(97,161)
Total Combined Statement of Activities Expenses	$ 4,664,174	$ 465,836	$ 477,339	$ 170	$ 280,805	$ -	$ (112,000)	$ 5,776,324	$ 5,884,220

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, 2022

	2022							
	Program		Administration		Fundraising			
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Eliminating Adjustments	Combined Total
Salaries	$ 1,107,835	$ -	$ 196,097	$ -	$ 223,658	$ -	$ -	$ 1,527,590
Employee benefits	156,797	-	27,755	-	31,656	-	-	216,208
Payroll taxes	85,207	-	15,082	-	17,202	-	-	117,491
Total Salaries & Related Expenses	1,349,839	-	238,934	-	272,516	-	-	1,861,289
Contract labor	-	4,915	-	-	-	-	-	4,915
Professional fees	26,949	-	18,305	-	5,593	-	-	50,847
Other program expenses	1,224,932	125,734	-	-	-	-	(112,000)	1,238,666
Donations (Note 10)	51,720	-	-	-	-	-	-	51,720
Client purchases	51,960	-	-	-	-	-	-	51,960
Furniture & equipment expenses	12,822	-	1,564	-	1,251	-	-	15,637
Office expenses	9,540	221	1,163	25	931	-	-	11,880
Supplies	60,017	-	7,319	-	5,854	-	-	73,190
Staff development	3,619	-	441	-	354	-	-	4,414
Utilities	117,931	80,284	7,608	-	1,268	-	-	207,091
Repairs & maintenance	33,530	10,701	2,163	-	361	-	-	46,755
Transportation	17,791	664	-	-	180	-	-	18,635
Insurance	106,239	44,262	6,854	-	1,141	-	-	158,496
In-kind expenses	1,709,944	-	17,272	-	-	-	-	1,727,216
Bad debt	-	110	-	-	-	-	-	110
Miscellaneous	9,777	-	-	-	-	-	-	9,777
Total Expenses	4,786,610	266,891	301,623	25	289,449	-	(112,000)	5,532,598
Depreciation	167,394	154,688	29,540	-	-	-	-	351,622
Special events	-	-	-	-	97,161	-	-	97,161
Total Functional Expenses	4,954,004	421,579	331,163	25	386,610	-	(112,000)	5,981,381
Special events net in revenue	-	-	-	-	(97,161)	-	-	(97,161)
Total Combined Statement of Activities Expenses	$ 4,954,004	$ 421,579	$ 331,163	$ 25	$ 289,449	$ -	$ (112,000)	$ 5,884,220

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, 2023

	2023							2022
	Good Shepherd			Lakeside Partners				Comparative
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total	Combined Total
Cash Flows From Operating Activities								
Cash Collections for:								
Contributions & other	$ 5,871,462	$ (65,000)	$ 5,806,462	$ 324,224	$ 1,623,291	$ 1,947,515	$ 7,753,977	$ 6,371,096
Investment income, net	79,592	-	79,592	13,617	-	13,617	93,209	(219,006)
Interfund transfers	-	-	-	664,578	(664,578)	-	-	-
Less: Cash Payments for:								
Total expenses	(5,379,120)	-	(5,379,120)	(466,268)	-	(466,268)	(5,845,388)	(5,981,307)
Net Cash Provided (Used) By Operating Activities	571,934	(65,000)	506,934	536,151	958,713	1,494,864	2,001,798	170,783
Cash Flows From Investing Activities								
Purchase of property & equipment	(116,458)	-	(116,458)	(12,156)	-	(12,156)	(128,614)	(326,001)
Transfers to required reserves	-	-	-	(17,168)	-	(17,168)	(17,168)	(15,312)
(Purchases) proceeds of investments, net	-	-	-	(11,107)	-	(11,107)	(11,107)	28,189
Net Cash Provided (Used) By Investing Activities	(116,458)	-	(116,458)	(40,431)	-	(40,431)	(156,889)	(313,124)
Cash Flows From Financing Activities								
Interfund transfers	-	-	-	(482,534)	482,534	-	-	-
Net Cash Provided (Used) By Financing Activities	-	-	-	(482,534)	482,534	-	-	-
Net Increase (Decrease) in Cash	455,476	(65,000)	390,476	13,186	1,441,247	1,454,433	1,844,909	(142,341)
Cash & Cash Equivalents, Beginning	2,113,813	65,000	2,178,813	164,712	-	164,712	2,343,525	2,485,866
Cash & Cash Equivalents, Ending	$ 2,569,289	$ -	$ 2,569,289	$ 177,898	$ 1,441,247	$ 1,619,145	$ 4,188,434	$ 2,343,525
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:								
Change in net assets	$ 351,914	$ (59,280)	$ 292,634	$ 394,153	$ 1,623,291	$ 2,017,444	$ 2,310,078	$ 31,169
Unrealized investment (gain) loss	(40,350)	(5,720)	(46,070)	-	-	-	(46,070)	(110,320)
Depreciation	217,986	-	217,986	155,093	-	155,093	373,079	351,622
(Increase) Decrease in:								
Prepaid expenses	(6,720)	-	(6,720)	(17,191)	-	(17,191)	(23,911)	(9,534)
Pledges receivable, net	-	-	-	-	(664,578)	(664,578)	(664,578)	-
Grants & other receivables	5,906	-	5,906	4,358	-	4,358	10,264	(107,067)
Increase (Decrease) in:								
Accounts payable	24,398	-	24,398	(262)	-	(262)	24,136	9,144
Accrued salaries & payroll taxes	18,800	-	18,800	-	-	-	18,800	5,769
Net Cash Provided (Used) By Operating Activities	$ 571,934	$ (65,000)	$ 506,934	$ 536,151	$ 958,713	$ 1,494,864	$ 2,001,798	$ 170,783
Supplemental Disclosure								
Interest paid							$ -	$ -
Income taxes paid							$ -	$ -

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

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.

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

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- (or certain grantor-) imposed restrictions.

Net Assets Without Donor Restrictions Board Designated – Net assets set aside by the Board for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

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 6) 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:

	2023	2022
Good Shepherd		
Wells Fargo - Operating Checking	$ 376,108	$ 955,346
Live Oak - Money Market	420,373	408,164
Truist - Capital Campaign Operating	8,581	2,911
Truist - Capital Campaign Money Market	1,000	59,002
Truist - Primary Opt Acct	983,862	-
Live Oak - Strategic Capital Investments	163,439	753,390
Vanguard - Strategic Capital Investments	615,926	-
Total Good Shepherd	2,569,289	2,178,813
Lakeside Partners		
Wells Fargo - Operating Checking	149,438	164,712
Truist - Capital Campaign Operating	28,460	-
Truist - H4G Capital Campaign	1,441,247	-
Total Lakeside Partners	1,619,145	164,712
Total Cash & Cash Equivalents	$ 4,188,434	$ 2,343,525

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).

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:

	2023		2022	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Land	$ 322,685	$ 1,000,000	$ 322,685	$ 1,000,000
Buildings & improvements	4,228,878	5,830,732	4,227,401	5,830,732
Furniture & equipment	588,405	47,389	548,187	35,234
Vehicles	260,784	-	259,509	-
Technology	10,351	-	37,404	-
	5,411,103	6,878,121	5,395,186	6,865,966
Less: Accumulated depreciation	(2,655,744)	(769,692)	(2,538,299)	(614,600)
Net Property	$ 2,755,359	$ 6,108,429	$ 2,856,887	$ 6,251,366

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 $2,173,910 for the year ended June 30, 2023 and $1,727,216 for the year ended June 30, 2022. 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 statements of functional expenses. Total expenses for the year ended June 30, 2023 were $5,867,482, which includes $91,158 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.

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, 2023, 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 2020.

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, 2022, from which the summarized combined information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying combining and 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 18, 2023, 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.

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:

	2023	2022
Operating Assets at Year End:		
Cash & cash equivalents	$ 1,967,822	$ 1,525,135
Investments convertible to cash in the next 12 months	658,709	623,914
Grants & other receivables	174,095	184,359
Total Operating Assets at Year End	2,800,626	2,333,408
Plus: Net assets with purpose or time restrictions to be met in less than a year	51,286	110,566
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 2,851,912	$ 2,443,974

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 8 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:

	2023	2022
Cash & cash equivalents	$ 3,059	$ 23,395
Stocks, options, & ETFs	6,818	5,944
Mutual funds	843,809	772,890
Total Investments	$ 853,686	$ 802,229

As of June 30, 2023 and 2022, all investments were considered Level 1 investments.

5. PLEDGES RECEIVABLE

Pledges receivable consist of capital campaign pledges and are stated at the full amount of outstanding pledges made by donors. Donor pledge balances may be paid in lump-sum billings or received in yearly installments. No interest is charged against unpaid balances. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the pledges that will not be collected. Management evaluates historical write-offs to bad debt expenses as a percentage of the total pledges received for each campaign year to estimate a general allowance to apply to the current year campaign pledge total. This estimate may be adjusted for management's estimate of any changes in current economic conditions that might give rise to results that differ from past experience, and at times, the amount of the adjustment can be material. As of June 30, 2023, there is no valuation allowance on these capital campaign pledges receivable.

As of June 30, 2023, $664,578 in capital campaign pledges receivable remain outstanding and are expected to be collected as follows:

2024	$ 496,228
2025	88,150
2026	77,400
2027	1,400
2028	1,400
Total	664,578
Less: Allowance for uncollectibles	-
Total Capital Campaign Pledges Receivable, Net	$ 664,578

6. REFUNDABLE ADVANCES

The Organization had refundable advances of $2,625,000 as of June 30, 2023 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, 2023. The refundable advances are as follows as of June 30:

	2023	2022
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 purposes, no payments are due until April 1, 2036, at which point a second 30-year extension on payment of principal may be made.	400,000	400,000
Total Good Shepherd	875,000	875,000
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, 2049, at which point Lakeside Partners may request the loan to be refinanced at the same terms for another 30 years.	600,000	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.	300,000	300,000
Total Lakeside Partners	1,750,000	1,750,000
Total Refundable Advances	$ 2,625,000	$ 2,625,000

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.

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023		2022	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Subject to Expenditure for Specified Purpose:				
Self-sufficiency	$ 51,286	$ -	$ 45,566	$ -
HOME note (Note 6)	-	83,425	-	67,636
NCHFA loan (Note 6)	-	122,143	-	120,764
Capital campaign	-	2,105,825	65,000	-
Total Expenditures for Specified Purposes	$ 51,286	$ 2,311,393	$ 110,566	$ 188,400

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:

	2023		2022	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Satisfaction of Restrictions:				
Repairs & housing	$ 95,175	$ -	$ 92,901	$ -
Time restricted	1,148,161	65,088	1,795,931	-
Total Net Assets Released From Restriction	$ 1,243,336	$ 65,088	$ 1,888,832	$ -

In fiscal year 2022, the Organization initiated a major fundraising campaign, the purpose of which is to raise funds for future capital improvements and facility reserves. The capital campaign is expected to run for the next several years. Capital campaign contributions of $1,688,379 were received during 2023, with funds of $1,623,291 remaining to be spent as of June 30, 2023. Therefore, these funds have been included in net assets with donor restrictions in the accompanying combining and combined financial statements.

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, 2023:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Rising Tide Fund net assets, beginning	$ -	$ 45,566	$ 53,602	$ 99,168
Investment income	-	3,101	-	3,101
Net appreciation (depreciation)	-	2,932	-	2,932
Advisory fees	(313)	-	-	(313)
Released from restriction	313	(313)	-	-
Rising Tide Fund net assets, ending	$ -	$ 51,286	$ 53,602	$ 104,888

The Fund's net asset composition is as follows as of June 30, 2023:

	Fair Value
Cash & money market funds	$ 626
Investments	104,262
Total	$ 104,888

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.

9. BOARD DESIGNATED FUNDS

The Organization's Board has set aside certain funds for future strategic capital investments and debt repayment. The funds for strategic capital investments are contained in a Live Oak Bank money market account and in a Vanguard brokerage account, and the NCHFA debt repayment funds are contained in a Wells Fargo investment account. The Board reserves the right to re-designate these funds as it sees fit.

10. 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 $288,536 for the year ended June 30, 2023 and $213,076 for the year ended June 30, 2022 from the Foundation are included in the accompanying combining and combined financial statements. Good Shepherd contributed $0 for the year ended June 30, 2023 and $51,720 for the year ended June 30, 2022 to the Foundation. The expenses are included in the accompanying combining and combined financial statements.

11. 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.

12. 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 Partners' Phase I, Phase II, and all related programs in return for an annual management fee from Lakeside Partners. Management fee income of $112,000 for the year ended June 30, 2023 and $112,000 for the year ended June 30, 2022 has been included in Good Shepherd's revenue on the accompanying combining and combined statement of activities. Management fee expense of $112,000 for the year ended June 30, 2023 and $112,000 for the year ended June 30, 2022 has been included in Lakeside Partners' other program expenses on the accompanying combining and combined statements of functional expenses.

13. 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 $62,333 for the year ended June 30, 2023 and $55,032 for the year ended June 30, 2022.

14. 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 $6,087,100 for 2023 with a deductible of $1,000 for all covered perils, except named windstorm. For 2023, the deductible for losses due to windstorm and/or hail was $5,000 with a 1% named storm deductible per occurrence.

For 2023, the Organization was insured for workers' compensation and employer's liability. In 2023, 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.