Good Shepherd Ministries of Wilmington, Inc. and Affiliate

Combining and Combined Financial Statements

For the Year Ended June 30, 2026

(with Comparative Totals for 2025)

EARNEY
Accountants & Advisors

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, 2026, 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, 2026, 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 2025 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, 2025. In our opinion, the summarized comparative combined information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited combining and combined financial statements from which it has been derived.

EARNEY Accountants & Advisors, PLLC

Wilmington, North Carolina
September 14, 2026

Good Shepherd Ministries of Wilmington, Inc. and Affiliate

Combining and Combined Statement of Financial Position

As of June 30, 2026

	2026								
	Good Shepherd				Lakeside Partners				
		With Donor Restrictions				With Donor Restrictions			
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total	Without Donor Restrictions	Purpose or Time Restricted	Total	Combined Total	2025 Comparative Combined Total
ASSETS									
Current Assets									
Cash & cash equivalents	$ 1,382,650	$ -	$ -	$ 1,382,650	$ 412,304	$ 3,129,830	$ 3,542,134	$ 4,924,784	$ 4,829,173
Prepaid expenses	48,514	-	-	48,514	94,474	-	94,474	142,988	92,151
Investments (Note 4)	571,937	-	-	571,937	298,289	-	298,289	870,226	793,366
Grants & other receivables	66,148	-	-	66,148	45,242	-	45,242	111,390	92,155
Pledges receivable, net (Note 5)	-	-	-	-	-	75,200	75,200	75,200	105,052
Total Current Assets	2,069,249	-	-	2,069,249	850,309	3,205,030	4,055,339	6,124,588	5,911,897
Assets Whose Use is Limited									
Rising Tide Fund (Note 9)	-	85,148	53,602	138,750	-	-	-	138,750	126,238
Required reserves (Note 6)	-	-	-	-	-	229,047	229,047	229,047	248,572
Strategic investments (Note 2 & 10)	1,085,920	-	-	1,085,920	-	-	-	1,085,920	849,990
Strategic capital investments (Note 2 & 10)	-	-	-	-	887,637	-	887,637	887,637	855,951
NCHFA loan repayment (Note 4 & 10)	285,222	-	-	285,222	-	-	-	285,222	243,020
Total Assets Whose Use is Limited	1,371,142	85,148	53,602	1,509,892	887,637	229,047	1,116,684	2,626,576	2,323,771
Pledges receivable, net - non-current (Note 5)	-	-	-	-	-	200	200	200	2,800
Net property (Note 2)	2,487,557	-	-	2,487,557	12,971,179	-	12,971,179	15,458,736	9,321,661
Total Assets	$ 5,927,948	$ 85,148	$ 53,602	$ 6,066,698	$ 14,709,125	$ 3,434,277	$ 18,143,402	$ 24,210,100	$ 17,560,129

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 Financial Position (Cont.)

As of June 30, 2026

	2026								
	Good Shepherd				Lakeside Partners				
		With Donor Restrictions				With Donor Restrictions			
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total	Without Donor Restrictions	Purpose or Time Restricted	Total	Combined Total	2025 Comparative Combined Total
LIABILITIES & NET ASSETS									
Current Liabilities									
Accounts payable	$ 57,675	$ -	$ -	$ 57,675	$ 7,573	$ -	$ 7,573	$ 65,248	$ 32,587
Accrued salaries & payroll taxes	53,087	-	-	53,087	-	-	-	53,087	54,492
Total Current Liabilities	110,762	-	-	110,762	7,573	-	7,573	118,335	87,079
Long-Term Liabilities									
Construction loan debt (Note 7)	-	-	-	-	2,778,106		2,778,106	2,778,106	-
Refundable advances (Note 6)	875,000	-	-	875,000	3,155,019	-	3,155,019	4,030,019	2,625,000
Total Long-Term Liabilities	875,000	-	-	875,000	5,933,125	-	5,933,125	6,808,125	2,625,000
Total Liabilities	985,762	-	-	985,762	5,940,698	-	5,940,698	6,926,460	2,712,079
Net Assets									
Without donor restrictions	3,571,044	-	-	3,571,044	7,880,790	-	7,880,790	11,451,834	9,371,038
Without donor restrictions board designated (Note 10)	1,371,142	-	-	1,371,142	887,637	-	887,637	2,258,779	1,948,961
With donor restrictions (Note 8)	-	85,148	53,602	138,750	-	3,434,277	3,434,277	3,573,027	3,528,051
Total Net Assets	4,942,186	85,148	53,602	5,080,936	8,768,427	3,434,277	12,202,704	17,283,640	14,848,050
Total Liabilities & Net Assets	$ 5,927,948	$ 85,148	$ 53,602	$ 6,066,698	$ 14,709,125	$ 3,434,277	$ 18,143,402	$ 24,210,100	$ 17,560,129

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, 2026

	2026									
	Good Shepherd				Lakeside Partners					
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminating Adjustments	Combined Total	2025 Comparative Combined Total
		Purpose or Time Restricted	Perpetual in Nature			Purpose or Time Restricted				
SUPPORT & REVENUE										
Department of Veterans Affairs - Per Diem	$ -	$ 387,688	$ -	$ 387,688	$ -	$ -	$ -	$ -	$ 387,688	$ 305,821
City of Wilmington	-	118,325	-	118,325	-	-	-	-	118,325	108,000
New Hanover County	-	50,964	-	50,964	-	-	-	-	50,964	111,409
NC DHHS - ESGP	-	116,366	-	116,366	-	-	-	-	116,366	71,892
United Way	-	9,000	-	9,000	-	-	-	-	9,000	30,000
Cape Fear Memorial Foundation	-	75,000	-	75,000	-	-	-	-	75,000	75,000
SFRF - Choosing Home	-	4,606	-	4,606	-	-	-	-	4,606	57,929
NHC Community Endowment	-	555,000	-	555,000	-	-	-	-	555,000	555,000
HUD	-	986	-	986	-	-	-	-	986	70,188
Capital campaign contributions	-	117,340	-	117,340	-	2,533,296	2,533,296	-	2,650,636	611,575
FEMA	-	-	-	-	-	-	-	-	-	13,876
Contributions	1,551,401	749,478	-	2,300,879	4,175	-	4,175	-	2,305,054	1,938,200
In-kind contributions	2,281,660	-	-	2,281,660	-	-	-	-	2,281,660	2,855,613
Special events, net	439,567	-	-	439,567	-	-	-	-	439,567	426,127
Investment income, net	157,976	12,512	-	170,488	145,364	12,805	158,169	-	328,657	326,185
Program service fees	46,982	-	-	46,982	441,431	-	441,431	-	488,413	446,023
Management fee income (Note 13)	185,000	-	-	185,000	-	-	-	(185,000)	-	-
Other income	588	-	-	588	-	-	-	-	588	2,160
Net assets released from restriction	2,184,753	(2,184,753)	-	-	2,513,637	(2,513,637)	-	-	-	-
Total Support & Revenue	6,847,927	12,512	-	6,860,439	3,104,607	32,464	3,137,071	(185,000)	9,812,510	8,004,998

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 (Cont.)

For the Year Ended June 30, 2026

	2026									
	Good Shepherd				Lakeside Partners					
	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	With Donor Restrictions: Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	Total	Eliminating Adjustments	Combined Total	2025 Comparative Combined Total
EXPENSES										
Program	$ 6,169,882	$ -	$ -	$ 6,169,882	$ 765,493	$ -	$ 765,493	$ (185,000)	$ 6,750,375	$ 5,870,077
Administration	320,822	-	-	320,822	127	-	127	-	320,949	363,697
Fundraising	305,596	-	-	305,596	-	-	-	-	305,596	249,822
Total Expenses	6,796,300	-	-	6,796,300	765,620	-	765,620	(185,000)	7,376,920	6,483,596
Change in Net Assets	51,627	12,512	-	64,139	2,338,987	32,464	2,371,451	-	2,435,590	1,521,402
Net Assets, Beginning	4,890,559	72,636	53,602	5,016,797	6,429,440	3,401,813	9,831,253	-	14,848,050	13,326,648
Net Assets, Ending	$ 4,942,186	$ 85,148	$ 53,602	$ 5,080,936	$ 8,768,427	$ 3,434,277	$ 12,202,704	$ -	$ 17,283,640	$ 14,848,050

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, 2026

	2026								2025
	Program		Administration		Fundraising				Comparative
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Eliminating Adjustments	Combined Total	Combined Total
Salaries	$ 1,685,038	$ -	$ 191,966	$ -	$ 255,955	$ -	$ -	$ 2,132,959	$ 1,856,389
Employee benefits	288,541	-	9,409	-	15,682	-	-	313,632	279,346
Payroll taxes	138,254	-	19,251	-	17,501	-	-	175,006	149,063
Total Salaries & Related Expenses	2,111,833	-	220,626	-	289,138	-	-	2,621,597	2,284,798
Contract labor	-	18,064	-	-	-	-	-	18,064	4,747
Professional fees	33,752	-	7,876	-	3,375	-	-	45,003	36,723
Other program expenses	944,305	230,649	-	-	-	-	(185,000)	989,954	623,643
Client purchases	21,610	-	-	-	-	-	-	21,610	27,264
Furniture & equipment expenses	16,435	59,593	913	-	913	-	-	77,854	38,786
Office expenses	12,674	1,146	704	127	704	-	-	15,355	3,923
Supplies	103,739	-	5,763	-	5,762	-	-	115,264	105,919
Staff development	15,844	-	880	-	881	-	-	17,605	17,421
Utilities	161,693	109,459	10,432	-	1,739	-	-	283,323	277,371
Repairs & maintenance	96,866	48,810	6,249	-	1,042	-	-	152,967	118,064
Transportation	28,562	803	-	-	289	-	-	29,654	27,977
Insurance	163,001	83,752	10,516	-	1,753	-	-	259,022	223,356
In-kind expenses	2,258,843	-	22,817	-	-	-	-	2,281,660	2,295,113
Home for Good expense	-	1,125	-	-	-	-	-	1,125	7,138
Miscellaneous	7,795	-	-	-	-	-	-	7,795	8,351
Total Expenses	5,976,952	553,401	286,776	127	305,596	-	(185,000)	6,937,852	6,100,594
Depreciation	192,930	212,092	34,046	-	-	-	-	439,068	383,002
Special events	-	-	-	-	117,124	-	-	117,124	91,397
Total Functional Expenses	6,169,882	765,493	320,822	127	422,720	-	(185,000)	7,494,044	6,574,993
Special events net in revenue	-	-	-	-	(117,124)	-	-	(117,124)	(91,397)
Total Combined Statement of Activities Expenses	$ 6,169,882	$ 765,493	$ 320,822	$ 127	$ 305,596	$ -	$ (185,000)	$ 7,376,920	$ 6,483,596

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, 2025

	2025							
	Program		Administration		Fundraising			
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners	Eliminating Adjustments	Combined Total
Salaries	$ 1,466,547	$ -	$ 204,203	$ -	$ 185,639	$ -	$ -	$ 1,856,389
Employee benefits	220,683	-	30,728	-	27,935	-	-	279,346
Payroll taxes	117,760	-	16,397	-	14,906	-	-	149,063
Total Salaries & Related Expenses	1,804,990	-	251,328	-	228,480	-	-	2,284,798
Contract labor	-	4,747	-	-	-	-	-	4,747
Professional fees	19,463	-	13,220	-	4,040	-	-	36,723
Other program expenses	588,990	163,453	-	-	-	-	(128,800)	623,643
Client purchases	27,264	-	-	-	-	-	-	27,264
Furniture & equipment expenses	26,819	6,080	3,271	-	2,616	-	-	38,786
Office expenses	2,763	498	337	55	270	-	-	3,923
Supplies	86,854	-	10,592	-	8,473	-	-	105,919
Staff development	14,284	-	1,742	-	1,395	-	-	17,421
Utilities	168,097	96,622	10,845	-	1,807	-	-	277,371
Repairs & maintenance	83,286	28,509	5,373	-	896	-	-	118,064
Transportation	26,961	744	-	-	272	-	-	27,977
Insurance	146,282	66,063	9,438	-	1,573	-	-	223,356
In-kind expenses	2,272,162	-	22,951	-	-	-	-	2,295,113
Home for Good expense	-	7,138	-	-	-	-	-	7,138
Miscellaneous	8,351	-	-	-	-	-	-	8,351
Total Expenses	5,276,566	373,854	329,097	55	249,822	-	(128,800)	6,100,594
Depreciation	195,753	152,704	34,545	-	-	-	-	383,002
Special events	-	-	-	-	91,397	-	-	91,397
Total Functional Expenses	5,472,319	526,558	363,642	55	341,219	-	(128,800)	6,574,993
Special events net in revenue	-	-	-	-	(91,397)	-	-	(91,397)
Total Combined Statement of Activities Expenses	$ 5,472,319	$ 526,558	$ 363,642	$ 55	$ 249,822	$ -	$ (128,800)	$ 6,483,596

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, 2026

	2026							2025
	Good Shepherd			Lakeside Partners				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total	Comparative Combined Total
Cash Flows From Operating Activities								
Cash Collections for:								
Contributions & other	$ 6,910,808	$ -	$ 6,910,808	$ 3,107,382	$ 52,111	$ 3,159,493	$ 10,070,301	$ 7,924,680
Investment income, net	157,976	-	157,976	145,364	12,805	158,169	316,145	314,534
Less: Cash Payments for:								
Total expenses	(6,770,400)	-	(6,770,400)	(760,264)	-	(760,264)	(7,530,664)	(6,613,337)
Net Cash Provided (Used) By Operating Activities	298,384	-	298,384	2,492,482	64,916	2,557,398	2,855,782	1,625,877
Cash Flows From Investing Activities								
Purchase of property & equipment	(148,426)	-	(148,426)	(6,427,717)	-	(6,427,717)	(6,576,143)	(466,023)
Transfers (to) from required reserves	-	-	-	-	19,525	19,525	19,525	(21,643)
(Purchases) proceeds of investments, net	(93,544)	-	(93,544)	(25,518)	-	(25,518)	(119,062)	(100,365)
Net Cash Provided (Used) By Investing Activities	(241,970)	-	(241,970)	(6,453,235)	19,525	(6,433,710)	(6,675,680)	(588,031)
Cash Flows From Financing Activities								
Proceeds (payments) on debt	-	-	-	2,778,106	-	2,778,106	2,778,106	-
Proceeds from refundable advances	-	-	-	1,405,019	-	1,405,019	1,405,019	-
Net Cash Provided (Used) By Financing Activities	-	-	-	4,183,125	-	4,183,125	4,183,125	-
Net Increase (Decrease) in Cash	56,414	-	56,414	222,372	84,441	306,813	363,227	1,037,846
Cash & Cash Equivalents, Beginning	2,412,156	-	2,412,156	1,077,569	3,045,389	4,122,958	6,535,114	5,497,268
Cash & Cash Equivalents, Ending	$ 2,468,570	$ -	$ 2,468,570	$ 1,299,941	$ 3,129,830	$ 4,429,771	$ 6,898,341	$ 6,535,114

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 (Cont.)

For the Year Ended June 30, 2026

	2026							2025
	Good Shepherd			Lakeside Partners				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total	Comparative Combined Total
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:								
Change in net assets	$ 51,627	$ 12,512	$ 64,139	$ 2,338,987	$ 32,464	$ 2,371,451	$ 2,435,590	$ 1,521,402
Unrealized investment (gain) loss	-	(12,512)	(12,512)	-	-	-	(12,512)	(11,651)
Depreciation	226,976	-	226,976	212,092	-	212,092	439,068	383,002
Donated assets	-	-	-	-	-	-	-	(560,500)
(Increase) Decrease in:								
Prepaid expenses	(22,432)	-	(22,432)	(28,405)	-	(28,405)	(50,837)	22,123
Pledges receivable, net	-	-	-	-	32,452	32,452	32,452	159,048
Grants & other receivables	16,313	-	16,313	(35,548)	-	(35,548)	(19,235)	113,394
Increase (Decrease) in:								
Accounts payable	27,305	-	27,305	5,356	-	5,356	32,661	(852)
Accrued salaries & payroll taxes	(1,405)	-	(1,405)	-	-	-	(1,405)	(89)
Net Cash Provided (Used) By Operating Activities	$ 298,384	$ -	$ 298,384	$ 2,492,482	$ 64,916	$ 2,557,398	$ 2,855,782	$ 1,625,877
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 200 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.

During 2025, the City of Wilmington donated land located at 3939 Carolina Beach Road, Wilmington, North Carolina, to Lakeside Partners for the development of permanent supportive housing. On this property, Lakeside Partners developed a community known as SECU the Sparrow, which consists of 32 one-bedroom apartments designed to provide affordable and supportive housing for chronically homeless persons with disabilities, including seniors and Veterans. The community also provides access to supportive services offered by Good Shepherd to assist residents in maintaining stable housing and improving quality of life. Construction of the community was completed on April 15, 2026. Lakeside Partners received funding for the project through a combination of City of Wilmington HOME-ARP funds, North Carolina Housing Finance Agency SHARP funds, grants, capital campaign contributions, and other sources.

Lakeside Partners - The Sparrow, LLC was formed to own and operate this development. The Organization is the sole member of the LLC through Lakeside Partners of Wilmington, Inc. Accordingly, Lakeside Partners - The Sparrow, LLC is considered a disregarded entity of the Organization, and its assets, liabilities, revenues, and expenses are included in the accompanying combining and combined financial statements.

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:

	2026	2025
Good Shepherd		
Wells Fargo - Operating Checking	$ -	$ 66,405
Live Oak - Money Market	467,051	453,462
Truist - Capital Campaign Operating	36,484	102,248
Truist - Capital Campaign Money Market	900	1,000
Truist - Primary Opt Acct	59,899	82,789
Truist - Sweep Acct	818,316	856,262
Vanguard - Strategic Investments	1,085,920	849,990
Total Good Shepherd	2,468,570	2,412,156
Lakeside Partners		
Wells Fargo - Operating Checking	-	96,101
Atlantic Union - Operating	50,506	-
Atlantic Union - Checking	3,459	-
Truist - Capital Campaign Operating	6,278	16,521
Live Oak - Strategic Capital Investments	181,587	176,304
Vanguard - Strategic Capital Investments	706,050	679,647
Truist - H4G Capital Campaign	3,272,301	3,106,591
South State Bank - The Sparrow	209,590	47,794
Total Lakeside Partners	4,429,771	4,122,958
Total Cash & Cash Equivalents	$ 6,898,341	$ 6,535,114

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:

	2026		2025	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Land	$ 322,685	$ 1,560,500	$ 322,685	$ 1,560,500
Buildings & improvements	4,299,520	12,261,626	4,280,778	5,830,732
Furniture & equipment	749,580	260,568	715,718	50,574
Vehicles	379,161	-	301,086	-
Technology	57,159	-	53,050	-
Construction in progress	-	180,295	-	393,466
	5,808,105	14,262,989	5,673,317	7,835,272
Less: Accumulated depreciation	(3,320,548)	(1,291,810)	(3,107,210)	(1,079,718)
Net Property	$ 2,487,557	$ 12,971,179	$ 2,566,107	$ 6,755,554

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 $2,281,660 for the year ended June 30, 2026 and $2,855,613 for the year ended June 30, 2025. During fiscal year 2024, Lakeside Partners received an in-kind contribution of land with a fair market value of $560,500. 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, 2026 were $7,494,044, which includes $117,124 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 acknowledgments 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 management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2026, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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 audited combining and combined financial statements for the year ended June 30, 2025, 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 14, 2026, 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:

	2026	2025
Operating Assets at Year End:		
Cash & cash equivalents	$ 1,794,954	$ 1,783,784
Investments convertible to cash in the next 12 months	870,226	793,366
Grants & other receivables	111,390	92,155
Total Operating Assets at Year End	2,776,570	2,669,305
Plus: Net assets with purpose or time restrictions to be met in less than a year	3,290,178	3,223,077
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 6,066,748	$ 5,892,382

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 pages 10 and 11 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:

	2026	2025
Cash & cash equivalents	$ 28,775	$ 10,753
Stocks, options, & ETFs	296,716	8,431
Mutual funds	829,957	1,017,202
Total Investments	$ 1,155,448	$ 1,036,386

As of June 30, 2026 and 2025, all investments were considered Level 1 investments.

5. PLEDGES RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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.

The Organization's allowance estimate is derived from a review of its historical losses based on the aging of receivables. The estimate is adjusted for the Organization's assessment of current conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by the Organization.

As of June 30, 2026, the Organization has established an allowance for credit losses of $0 on these capital campaign pledges receivable.

As of June 30, 2026, $75,400 in capital campaign pledges receivable remain outstanding and are expected to be collected as follows:

2027	$	75,200
2028		200
Total		75,400
Less: Allowance for credit losses		-
Total Capital Campaign Pledges Receivable, Net	$	75,400

6. REFUNDABLE ADVANCES

The Organization has refundable advances of $4,030,019 as of June 30, 2026 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, 2026. The refundable advances are as follows as of June 30:

	2026	2025
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
On May 9, 2025, the City of Wilmington and Lakeside Partners - The Sparrow, LLC signed a 20-year non-interest bearing note for up to $2,113,506 for assistance with the development of supportive rental housing under the HOME Investment Partnerships Program American Rescue Plan ("HOME-ARP"). As long as Lakeside Partners - The Sparrow, LLC uses the project for its intended purposes as outlined in the agreement and complies with the applicable affordability and program requirements, no payments are due on the loan for 20 years, at which point the entire principal and interest balances are to be forgiven.	1,405,019	-
Total Lakeside Partners	3,155,019	1,750,000
Total Refundable Advances	$ 4,030,019	$ 2,625,000

On May 21, 2025, Lakeside Partners received a commitment from NCHFA for up to $2,915,714 of Supportive Housing American Rescue Plan ("SHARP") Program funding for the development of SECU The Sparrow. As of June 30, 2026, no amounts had been drawn under the commitment and, accordingly, no liability has been recorded related to the SHARP loan commitment.

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 SECU Lakeside Reserve. 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 8.

The HOME-ARP 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 Sparrow. The agreement requires an $8,000 reserve upon the closing of the loan and requires additional amounts, increased by 3.0% each year, to be deposited each year after the closing date. See Note 8.

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 8.

7. CONSTRUCTION LOAN

The Organization entered into a construction loan agreement on May 16, 2025, with SouthState Bank to finance the construction of The Sparrow Apartments located at 3939 Carolina Beach Road in Wilmington, North Carolina. The loan agreement provides for borrowings of up to $4,000,000 and bears interest at 5.90%. Monthly interest-only payments are required during the construction period, with all outstanding principal and accrued interest due upon maturity on May 16, 2027. The loan is secured by the related property and improvements. As of June 30, 2026, the outstanding balance on the loan was $2,778,106.

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2026		2025	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Subject to Expenditure for Specified Purpose:				
Self-sufficiency	$ 85,148	$ -	$ 72,636	$ -
HOME note (Note 6)	-	82,753	-	116,307
NCHFA loan (Note 6)	-	136,289	-	132,265
Capital campaign	-	3,215,235	-	3,153,241
Total Expenditures for Specified Purposes	$ 85,148	$ 3,434,277	$ 72,636	$ 3,401,813

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:

	2026		2025	
	Good Shepherd	Lakeside Partners	Good Shepherd	Lakeside Partners
Satisfaction of Restrictions:				
Repairs & housing	$ 784,016	$ -	$ 135,050	$ -
Time restricted	1,283,397	-	1,348,442	-
Construction	117,340	2,513,637	126,045	400,604
Total Net Assets Released From Restriction	$ 2,184,753	$ 2,513,637	$ 1,609,537	$ 400,604

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 $2,650,636 were received during 2026, with funds of $3,215,235 remaining to be spent as of June 30, 2026. Therefore, these funds have been included in net assets with donor restrictions in the accompanying combining and combined financial statements.

9. 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, 2026:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Rising Tide Fund net assets, beginning	$ -	$ 72,636	$ 53,602	$ 126,238
Investment income	-	4,493	-	4,493
Net appreciation (depreciation)	-	8,190	-	8,190
Advisory fees	(171)	-	-	(171)
Released from restriction	171	(171)	-	-
Rising Tide Fund net assets, ending	$ -	$ 85,148	$ 53,602	$ 138,750

The Fund's net asset composition is as follows as of June 30, 2026:

	Fair Value
Cash & money market funds	$ 4,549
Investments	134,201
Total	$ 138,750

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.

10.BOARD DESIGNATED FUNDS

The Organization's Board has set aside certain funds for future strategic investments and debt repayment. The funds for strategic investments are contained in a Live Oak Bank money market account and in Vanguard brokerage accounts, 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.

11.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 $273,716 for the year ended June 30, 2026 and $280,152 for the year ended June 30, 2025 from the Foundation are included in the accompanying combining and combined financial statements.

12.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.

13.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 $185,000 for the year ended June 30, 2026 and $128,800 for the year ended June 30, 2025 has been included in Good Shepherd's revenue on the accompanying combining and combined statement of activities. Management fee expense of $185,000 for the year ended June 30, 2026 and $128,800 for the year ended June 30, 2025 has been included in Lakeside Partners' other program expenses on the accompanying combining and combined statements of functional expenses.

14.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 $89,665 for the year ended June 30, 2026 and $73,576 for the year ended June 30, 2025.

15.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 $6,127,111 for building and $450,000 for content for 2026 with a deductible of $2,500 for all covered perils, except wind and named windstorm. For 2026, the deductible for losses due to windstorm and/or hail was $5,000 with a 1% named storm deductible per occurrence.

For 2026, the Organization was insured for workers' compensation and employer's liability. In 2026, 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.