

**Good Shepherd Housing and Family Services, Inc.**

Financial Statements  
and Independent Auditors' Report

OMB Circular A-133 Reports

June 30, 2007 and 2006

# Good Shepherd Housing and Family Services, Inc.

Financial Statements  
June 30, 2007 and 2006

## Contents

Report of Independent Auditors.....	1-2
<i>Audited Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-13
<i>Supplemental Information</i>	
Schedules of Functional Expenses.....	14-15
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	16-17
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	18-19
Schedule of Expenditures of Federal Awards.....	20
Note to Schedule of Expenditures of Federal Awards.....	21
Schedule of Findings and Questioned Costs .....	22-23

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Good Shepherd Housing and Family Services, Inc. (the Organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007 on our consideration of the internal control of the Organization over financial reporting and on our test of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, with a loop that extends upwards and to the left. The rest of the text is written in a cursive, handwritten style.

Vienna, Virginia  
September 24, 2007

## Good Shepherd Housing and Family Services, Inc.

### Statements of Financial Position June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash	\$ 513,058	\$ 273,142
Accounts receivable, net	30,156	20,230
Grants receivable	23,592	12,396
Investments	35,930	84,952
Deposits and prepaid expenses	15,828	25,654
Property and equipment, net	3,382,683	2,029,109
Loan fees, net	-	37,990
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 4,001,247</u>	<u>\$ 2,483,473</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 20,810	\$ 159
Lines of credit	2,265,090	1,597,847
Forgivable loans	1,196,763	435,561
Security deposits	21,587	22,629
Other liabilities	1,592	-
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>3,505,842</u>	<u>2,056,196</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	71,021	275,940
Board designated – general reserve	100,000	60,000
Board designated – Legacy Fund	59,106	12,336
	<u>                    </u>	<u>                    </u>
Total unrestricted	230,127	348,276
Temporarily restricted	170,892	-
Permanently restricted	94,386	79,001
	<u>                    </u>	<u>                    </u>
Total net assets	<u>495,405</u>	<u>427,277</u>
Total liabilities and net assets	<u>\$ 4,001,247</u>	<u>\$ 2,483,473</u>

**Good Shepherd Housing and Family Services, Inc.**

Statement of Activities  
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Rental income and rent subsidies	\$ 758,655	\$ -	\$ -	\$ 758,655
Government grants	260,000	-	-	260,000
Contributions	302,362	170,892	15,385	488,639
Indirect public support	121,584	-	-	121,584
Fundraising events	184,498	-	-	184,498
In-kind donations	125,619	-	-	125,619
Investment income	26,721	-	-	26,721
Other income	19	-	-	19
	<u>1,779,458</u>	<u>170,892</u>	<u>15,385</u>	<u>1,965,735</u>
<b>Expenses</b>				
Program services				
ABC (Rental Assistance)	1,331,091	-	-	1,331,091
Emergency Services	227,769	-	-	227,769
Homeless Transition	132,454	-	-	132,454
Children's Resources	42,469	-	-	42,469
	<u>1,733,783</u>	<u>-</u>	<u>-</u>	<u>1,733,783</u>
Supporting services				
Management and general	45,753	-	-	45,753
Fundraising	118,071	-	-	118,071
	<u>163,824</u>	<u>-</u>	<u>-</u>	<u>163,824</u>
Total expenses	<u>1,897,607</u>	<u>-</u>	<u>-</u>	<u>1,897,607</u>
<b>Change in Net Assets</b>	(118,149)	170,892	15,385	68,128
<b>Net Assets, beginning of year</b>	<u>348,276</u>	<u>-</u>	<u>79,001</u>	<u>427,277</u>
<b>Net Assets, end of year</b>	<u>\$ 230,127</u>	<u>\$ 170,892</u>	<u>\$ 94,386</u>	<u>\$ 495,405</u>

**Good Shepherd Housing and Family Services, Inc.**

Statement of Activities  
For the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Rental income and rent subsidies	\$ 795,310	\$ -	\$ -	\$ 795,310
Government grants	247,750	-	-	247,750
Contributions	474,495	-	-	474,495
Indirect public support	34,811	-	-	34,811
Fundraising events	109,153	-	-	109,153
In-kind donations	76,570	-	-	76,570
Investment	5,015	-	-	5,015
Other income	3,769	-	-	3,769
Net assets released from restrictions:				
Satisfaction of purpose restrictions	6,715	(6,715)	-	-
<b>Total revenue and support</b>	<b>1,753,588</b>	<b>(6,715)</b>	<b>-</b>	<b>1,746,873</b>
<b>Expenses</b>				
Program services:				
ABC (Rental Assistance)	1,272,197	-	-	1,272,197
Emergency Services	170,754	-	-	170,754
Homeless Transition	133,117	-	-	133,117
<b>Total program services</b>	<b>1,576,068</b>	<b>-</b>	<b>-</b>	<b>1,576,068</b>
Supporting services:				
Management and general	59,640	-	-	59,640
Fundraising	114,665	-	-	114,665
<b>Total supporting services</b>	<b>174,305</b>	<b>-</b>	<b>-</b>	<b>174,305</b>
<b>Total expenses</b>	<b>1,750,373</b>	<b>-</b>	<b>-</b>	<b>1,750,373</b>
<b>Change in Net Assets</b>	<b>3,215</b>	<b>(6,715)</b>	<b>-</b>	<b>(3,500)</b>
<b>Net Assets, beginning of year</b>	<b>345,061</b>	<b>6,715</b>	<b>79,001</b>	<b>430,777</b>
<b>Net Assets, end of year</b>	<b>\$ 348,276</b>	<b>\$ -</b>	<b>\$ 79,001</b>	<b>\$ 427,277</b>

**Good Shepherd Housing and Family Services, Inc.**

Statements of Cash Flows  
For the Years Ended June 30, 2007 and 2006

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 68,128	\$ (3,500)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	96,885	57,377
Net realized and unrealized gains on investments	(14,179)	(1,819)
Contributions of permanently restricted net assets	(15,385)	-
Write-off of property and equipment	15,328	-
Write-off of loan fees	37,990	-
Change in operating assets and liabilities:		
Increase in accounts receivable	(9,926)	(653)
Increase in grants receivable	(11,196)	(12,196)
Decrease (increase) in deposits and prepaid expenses	9,826	(8,674)
Increase (decrease) in accounts payable and accrued expenses	20,651	(2,370)
Decrease in security deposits	(1,042)	(1,690)
Increase (decrease) in other liabilities	1,592	(2,655)
 Net cash provided by operating activities	 198,672	 23,820
<b>Cash Flows from Investing Activities</b>		
Net proceeds from sale of investments	63,201	-
Purchase of property and equipment	-	(3,375)
 Net cash provided by (used in) investing activities	 63,201	 (3,375)
<b>Cash Flows from Financing Activities</b>		
Net principal payments on lines of credit	(37,342)	(20)
Contributions of permanently restricted net assets	15,385	-
 Net cash used in financing activities	 (21,957)	 (20)
 <b>Net increase in Cash</b>	 239,916	 20,425
<b>Cash, beginning of year</b>	273,142	252,717
<b>Cash, end of year</b>	\$ 513,058	\$ 273,142
 <b>Supplemental Disclosure</b>		
Cash paid for interest	\$ 116,640	\$ 65,598
Noncash purchase of property and equipment	\$ 1,465,787	\$ 807,100

*See accompanying notes*

# Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements  
June 30, 2007 and 2006

## 1. Nature of Operations

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

## 2. Summary of Significant Accounting Policies

### Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations. Unrestricted net assets at June 30, 2007 and 2006 were \$230,127 and \$348,276, respectively. Of these amounts, \$100,000 and \$60,000 were designated as a general reserve at June 30, 2007 and 2006, respectively, and \$59,106 and \$12,336 were designated to the Legacy Fund at June 30, 2007 and 2006, respectively.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time. Temporarily restricted net assets at June 30, 2007 and 2006 were \$170,892 and \$0, respectively.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations of the Organization or the restricted purpose imposed by the donors. Permanently restricted net assets at June 30, 2007 and 2006 were \$94,386 and \$79,001, respectively.

### Investments

Investments at June 30, 2007 and 2006 consist of certificates of deposit and common stocks. Investments are recorded at fair value based on quoted market prices.

### Accounts Receivable

Accounts receivable consist of amounts due from the assisted tenants for monthly rents, late fees, and other related costs. Allowance for doubtful accounts was \$0 and \$19,349 at June 30, 2007 and 2006, respectively, and is based on management's review of the collectability of various accounts and historical experience.

# Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements  
June 30, 2007 and 2006

## 2. Summary of Significant Accounting Policies (continued)

### Property and Equipment

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

### Loan Fees

Fees in excess of \$1,000 associated with loans and other financing arrangements are capitalized and amortized over the life of the underlying debt using the straight-line method. During fiscal year 2007, it was determined that previously capitalized loan fees no longer provided any significant economic benefit. Due to this reassessment of future benefits, \$37,900 of net capitalized loan fees were expensed. At June 30, 2007, no capitalized loan fees remained. The Organization will continue to assess new loans fees to determine the appropriateness of capitalization.

### Revenue Recognition

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

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

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

Revenue from all other sources is recognized when earned.

# Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements  
June 30, 2007 and 2006

## 2. Summary of Significant Accounting Policies (continued)

### Donated Materials and Services

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

### Functional Allocation of Expenses

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

### Use of Estimates

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

### Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation. None of these reclassifications affected the prior year change in net assets.

## 3. Concentration of Credit Risk

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

## Good Shepherd Housing and Family Services, Inc.

### Notes to Financial Statements June 30, 2007 and 2006

#### 4. Investments

Investments and related income consist of the following as of and for the years ended June 30:

	<u>2007</u>	<u>2006</u>
Certificates of deposit	\$ 35,930	\$ 79,384
Common stocks	<u>-</u>	<u>5,568</u>
Total investments	<u>\$ 35,930</u>	<u>\$ 84,952</u>
Interest and dividends	\$ 12,542	\$ 3,196
Net realized and unrealized gains	<u>14,179</u>	<u>1,819</u>
Total investment income	<u>\$ 26,721</u>	<u>\$ 5,015</u>

#### 5. Property and Equipment

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

	<u>2007</u>	<u>2006</u>
Land	\$ 581,419	\$ 291,559
Rental property	2,977,172	1,817,731
Furniture and office equipment	<u>42,843</u>	<u>42,843</u>
Total property and equipment	3,601,434	2,152,133
Less: accumulated depreciation	<u>(218,751)</u>	<u>(123,024)</u>
Property and equipment, net	<u>\$ 3,382,683</u>	<u>\$ 2,029,109</u>

#### 6. Forgivable Loans

The Organization receives funds from the Community Development Block Grant and HOME Investment Partnership Program passed through by the County of Fairfax Department of Housing and Community Development (DHCD grant). Under the DHCD grant, the Organization receives assistance at closing on purchases of low income housing units in the form of loans. These loans are due 20 years, 25 years or 30 years from the date of closing. These loans will be forgiven if certain covenants are met; however, until such covenants and conditions are met, these are obligations of the Organization. At June 30, 2007 and 2006, \$1,196,763 and \$435,561, respectively, have been disbursed at closings and are reflected as forgivable loans in the accompanying statements of financial position.

## Good Shepherd Housing and Family Services, Inc.

### Notes to Financial Statements June 30, 2007 and 2006

#### 7. Lines of Credit

In March 2004, the Organization obtained a line of credit with Capital One Services that can be drawn upon up to \$1,405,013 and is collateralized by the Organization's low income housing properties purchased using the funds from this line of credit. The interest rate on scheduled payments is 5.10% annually. Each advance from this line of credit shall be paid in 120 monthly installments of principal and interest in an amount sufficient to amortize the advance over a 30 year period from the date of such advance. Remaining outstanding principal and accrued interest are due 10 years after the date of the advance. The balance outstanding at June 30, 2007 and 2006 was \$1,347,383 and \$1,369,047, respectively.

In April 2006, the Organization entered into a second revolving line of credit for \$405,000 with the Washington Area Community Investment Fund, which is collateralized by the properties acquired using the advances from this line of credit. The interest rate is 6.25% annually. The outstanding principal balance at June 30, 2007 was \$341,100. The principal balance was due in September 2007, but the line was renewed subsequent to year end.

In September 2006, the Organization obtained a third line of credit from Virginia Commerce Bank (VCB) that can be drawn upon up to \$1,500,000. The loan is collateralized by the Organization's low income housing properties purchased using the funds from this line of credit as well as assignment of rents associated with these properties. The interest rate on scheduled payments on the line of credit is a floating rate equal to the Prime Rate plus ½ % annually. Each advance from this line of credit shall be paid in 120 monthly installments of principal and interest in an amount sufficient to amortize the advance over a 30 year period from the date of such advance. Remaining outstanding principal and accrued interest are due 10 years after the date of the advance. The Organization has a total outstanding balance of \$576,607 in loans from VCB at June 30, 2007, with the outstanding principal balance against the line of \$332,809.

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

	Lines of Credit	Forgivable Loans
2008	\$ 365,376	\$ -
2009	25,563	-
2010	26,920	-
2011	28,350	-
2012	29,226	-
Thereafter	1,789,655	1,196,763
Total future minimum maturities	\$ 2,265,090	\$ 1,196,763

## Good Shepherd Housing and Family Services, Inc.

Notes to Financial Statements  
June 30, 2007 and 2006

### 8. Other Commitments and Contingencies

#### Operating Leases

The Organization leases residential property for use in its housing program. These units are in turn leased to people in need of housing assistance to fulfill program objectives. All leases are operating leases and have original terms of one year or less. Rent expense for the years ended June 30, 2007 and 2006 was \$549,378 and \$672,304, respectively.

The Organization also leases office facilities from the County of Fairfax, which are used to carry out program objectives. The current lease is automatically renewed in one year increments commencing on April 1 of each year. Rent expense for the years ended June 30, 2007 and 2006 was \$15,038 and \$16,250, respectively.

#### Government Cooperative Agreements and Grants

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

### 9. Restricted Net Assets

#### Temporarily Restricted

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

	<u>2007</u>	<u>2006</u>
Emergency Services	\$ 49,121	\$ -
Children's Resources	22,856	-
Homeless transition program	14,709	-
Capital One	<u>84,206</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 170,892</u>	<u>\$ -</u>

#### Permanently Restricted

Permanently restricted net assets of \$94,386 and \$79,001 at June 30, 2007 and 2006, respectively, consist of contributions designated for the Legacy Fund. The principal amounts contributed toward the Legacy Fund are held in perpetuity for the benefit of the Organization with earnings considered available for operations.

**Good Shepherd Housing and Family Services, Inc.**

Notes to Financial Statements  
June 30, 2007 and 2006

**10. Income Taxes**

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes except for taxes on unrelated business activities. No tax expense was recorded in the accompanying financial statements for the years ended June 30, 2007 and 2006 as the Organization engaged in no unrelated business activities. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

## **SUPPLEMENTAL INFORMATION**

---

**Good Shepherd Housing and Family Services, Inc.**

Schedule of Functional Expenses  
For the Year Ended June 30, 2007

	Program Services				Supporting Services			
	ABC (Rental Assistance)	Emergency Services	Homeless Transition	Children's Resources	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 202,372	\$ 45,820	\$ 45,820	\$ 13,746	\$ 307,758	\$ 22,910	\$ 51,165	\$ 381,833
Payroll taxes	15,520	3,514	3,514	1,054	23,602	1,757	3,924	29,283
Employee benefits	17,048	3,860	3,860	1,158	25,926	1,930	4,310	32,166
Rents and utilities	699,446	-	-	-	699,446	-	-	699,446
Children's resources	-	-	-	20,162	20,162	-	-	20,162
Direct assistance payments	-	99,074	51,816	-	150,890	-	-	150,890
In-kind donation	37,686	50,248	18,843	3,769	110,546	6,281	8,793	125,620
Bad debts	38,809	-	-	-	38,809	-	-	38,809
Repairs and maintenance	73,067	-	-	-	73,067	-	-	73,067
Professional fees	8,989	4,062	1,355	406	14,812	2,032	1,626	18,470
Printing	2,210	2,210	737	221	5,378	1,105	884	7,367
Miscellaneous	5,018	1,580	710	213	7,521	1,037	40,408	48,966
Depreciation and amortization	96,885	-	-	-	96,885	-	-	96,885
Office rents and utilities	4,511	4,511	1,504	451	10,977	2,256	1,805	15,038
Insurance	2,812	2,812	937	281	6,842	1,406	1,125	9,373
Postage	1,546	1,546	515	155	3,762	773	619	5,154
Equipment maintenance	2,955	2,955	985	295	7,190	1,477	1,182	9,849
Interest expense	116,640	-	-	-	116,640	-	-	116,640
Dues and taxes	636	636	212	64	1,548	318	254	2,120
Bank service charges	1,005	1,005	335	101	2,446	503	402	3,351
Travel	1,294	1,294	431	129	3,148	647	517	4,312
Supplies	853	853	284	85	2,075	426	341	2,842
Telephone	1,789	1,789	596	179	4,353	895	716	5,964
<b>Total Expenses</b>	<b>\$ 1,331,091</b>	<b>\$ 227,769</b>	<b>\$ 132,454</b>	<b>\$ 42,469</b>	<b>\$ 1,733,783</b>	<b>\$ 45,753</b>	<b>\$ 118,071</b>	<b>\$ 1,897,607</b>

**Good Shepherd Housing and Family Services, Inc.**

Schedule of Functional Expenses  
For the Year Ended June 30, 2006

	Program Services			Supporting Services			
	ABC (Rental Assistance)	Emergency Services	Homeless Transition	Total Program Services	Management and General	Fundraising	
Salaries	\$ 172,774	\$ 39,119	\$ 39,119	\$ 251,012	\$ 19,559	\$ 55,418	\$ 325,989
Payroll taxes	13,077	2,961	2,961	18,999	1,480	4,195	24,674
Employee benefits	18,276	4,138	4,138	26,552	2,069	5,862	34,483
Rents and utilities	763,266	-	-	763,266	-	-	763,266
Direct assistance payments	-	78,402	70,059	148,461	-	-	148,461
In-kind donation	22,971	30,628	11,486	65,085	3,829	7,657	76,571
Bad debts	72,210	-	-	72,210	-	-	72,210
Repairs and maintenance	48,329	-	-	48,329	-	-	48,329
Professional fees	2,337	1,385	647	4,369	25,644	948	30,961
Printing	1,061	1,061	354	2,476	530	530	3,536
Miscellaneous	66	66	22	154	33	33,559	33,746
Depreciation and amortization	57,377	-	-	57,377	-	-	57,377
Office rents and utilities	4,969	4,969	1,656	11,594	2,484	2,484	16,562
Insurance	1,526	1,526	509	3,561	763	763	5,087
Postage	1,288	1,288	429	3,005	644	644	4,293
Equipment maintenance	1,165	1,165	388	2,718	582	582	3,882
Interest expense	84,569	-	-	84,569	-	-	84,569
Dues and taxes	3,204	314	105	3,623	157	157	3,937
Bank service charges	666	666	222	1,554	333	333	2,220
Travel	741	741	247	1,729	370	370	2,469
Supplies	903	903	301	2,107	452	452	3,011
Telephone	1,422	1,422	474	3,318	711	711	4,740
<b>Total Expenses</b>	<b>\$ 1,272,197</b>	<b>\$ 170,754</b>	<b>\$ 133,117</b>	<b>\$ 1,576,068</b>	<b>\$ 59,640</b>	<b>\$ 114,665</b>	<b>\$ 1,750,373</b>

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

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

We have audited the financial statements of Good Shepherd Housing and Family Services, Inc. (the Organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

This report is intended for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Vienna, Virginia  
September 24, 2007

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

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

Compliance

We have audited the compliance of Good Shepherd Housing and Family Services, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

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

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

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

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

This report is intended for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Vienna, Virginia  
September 24, 2007

**Good Shepherd Housing and Family Services, Inc.**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass- Through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant Program (Pass-through from the Fairfax county):			
Homes for the Working Poor, Elderly, and Disabled	RQ0682689131R	14.218	\$ 214,000
Mt. Vernon Village II – Scattered Site Homes	RQ0682689131T	14.218	652,000
Emergency Services – Keeping Families at Home	RQ0682689131S	14.218	46,000
Mt. Vernon Village – Scattered Site Homes	RQ0469911224M	14.218	25,000
HOME Investment Partnership Program	M-05-MC-51-0503	14.239	<u>84,202</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,021,202</u></u>

*See accompanying notes to this schedule.*

**Good Shepherd Housing and Family Services, Inc.**

Note to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

**1. Summary of Significant Accounting Policies**

Basis of Accounting

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

**2. Loan Assistance**

The Organization receives loan assistance from the Fairfax County Redevelopment Authority through Department of Housing and Urban Development (HUD) programs. Under certain programs, funds are loaned to the Organization for affordable housing acquisition assistance. These loans may be forgiven if certain conditions are met. Total funds received under this loan assistance program were \$761,202 for the year ended June 30, 2007, and are included within the amounts shown in the accompanying schedule.

**Good Shepherd Housing and Family Services, Inc.**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**A. Summary of Audit Results**

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

CFDA#/Grant Number	Program Title
14.218	Community Development Block Grant Program
14.239	HOME Investment Partnership Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization did not qualify as a low-risk auditee.

**B. Findings – Financial Statement Audit**

- None

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

- None

**Good Shepherd Housing and Family Services, Inc.**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**D. Summary Schedule of Prior Audit Findings**

**Finding No. 06-1:**

Condition: One employee's timesheets were prepared based on estimates and not the actual time spent on projects.

Recommendation: The Organization should update its accounting policies by drafting an accounting manual and implementing procedures to ensure that all timesheets reflect the actual time spent on federal programs.

Current Status: The Organization has implemented a new timesheet system. Under the system all employees must fill out timesheets daily. Each timesheet accounts for the employees' daily activities and allows them to allocate hours worked to each project including federal grants.