

*Financial Statements*  
*Year Ended*  
*June 30, 2009*

*The Carpenter's Shelter, Inc.*



Certified Public Accountants  
Specialized Services  
Business Solutions

*The Carpenter's Shelter, Inc.*

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## *Report of Independent Auditors*

Board of Directors  
*The Carpenter's Shelter, Inc.*

We have audited the accompanying statement of financial position of *The Carpenter's Shelter, Inc.* as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of *The Carpenter's Shelter, Inc.'s* management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from *The Carpenter's Shelter, Inc.'s* 2008 financial statements and, in our report dated September 23, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit 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 Carpenter's Shelter, Inc.* as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Goodman & Company LLP*

McLean, Virginia  
September 18, 2009

An independent firm associated with  
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*The Carpenter's Shelter, Inc.*

*Statement of Financial Position*

*June 30, 2009, with Comparative Totals for 2008*

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*The Carpenter's Shelter, Inc.*

*Statement of Financial Position*

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**June 30, 2009, with Comparative Totals for 2008**

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	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		
Unrestricted		
Operating cash	\$ 153,928	\$ 108,516
Savings - designated for special purposes by Board of Directors' resolution	281,005	649,708
Restricted by donor for scholarships	15,353	-
Resident cash escrow	43,505	30,049
Investments - operating	6,680	121,149
Grants receivable	30,894	20,394
Accounts receivable	28,950	42,639
Prepaid expenses	12,721	11,113
	<hr/>	<hr/>
<b>Total current assets</b>	<b>573,036</b>	<b>983,568</b>
<b>Investments</b>		
Designated for special purposes by Board of Directors' resolution	1,321,216	1,115,736
Restricted by donor	97,010	34,081
	<hr/>	<hr/>
<b>Total investments</b>	<b>1,418,226</b>	<b>1,149,817</b>
<b>Property and equipment</b>		
Land	895,000	895,000
Building	2,134,272	2,134,272
Furniture and equipment	329,002	323,186
Building improvements	60,862	56,747
	<hr/>	<hr/>
	3,419,136	3,409,205
Less - accumulated depreciation and amortization	(867,906)	(798,829)
	<hr/>	<hr/>
<b>Property and equipment - net</b>	<b>2,551,230</b>	<b>2,610,376</b>
<b>Other assets</b>		
Investment in Lynhaven Apartments - net of accumulated debt cancellation of \$60,644 in 2009 and \$50,569 in 2008	189,356	199,431
	<hr/>	<hr/>
	<b>\$ 4,731,848</b>	<b>\$ 4,943,192</b>

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**June 30, 2009, with Comparative Totals for 2008**

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	<u>2009</u>	<u>2008</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,135	\$ 10,481
Accrued salaries and benefits	103,062	95,481
Resident cash escrow	43,505	30,049
Deferred grant revenue	40,833	33,333
Security deposits	4,500	4,000
<b>Total current liabilities</b>	<u>193,035</u>	<u>173,344</u>
<b>Net assets</b>		
Unrestricted		
Undesignated	1,802,958	2,040,131
Designated	2,623,492	2,663,834
	<u>4,426,450</u>	<u>4,703,965</u>
Temporarily restricted	112,363	65,883
<b>Total net assets</b>	<u>4,538,813</u>	<u>4,769,848</u>
	<u>\$ 4,731,848</u>	<u>\$ 4,943,192</u>

*The accompanying notes are an integral part of these financial statements.*

*The Carpenter's Shelter, Inc.*

*Statement of Activities*

**Year Ended June 30, 2009, with Comparative Totals for 2008**

	Unrestricted		Temporarily Restricted	Total 2009	Total 2008
	Undesignated	Designated			
<b>Revenues</b>					
Grants					
City of Alexandria	\$ 131,400	\$ -	\$ -	\$ 131,400	\$ 131,400
State Shelter support	113,333	-	-	113,333	117,135
CSCG Grant	29,777	-	-	29,777	13,125
Federal Shelter support	86,073	-	-	86,073	84,863
Other	209,487	-	67,688	277,175	270,300
<b>Total grants</b>	<b>570,070</b>	<b>-</b>	<b>67,688</b>	<b>637,758</b>	<b>616,823</b>
Contributions	613,638	-	-	613,638	486,038
United Way contributions	118,076	-	-	118,076	123,982
Special events	192,555	-	-	192,555	152,091
Donated services and meals	407,506	-	-	407,506	418,444
Investment income (loss) - net	(61,801)	-	-	(61,801)	35,720
Other income	17,390	-	-	17,390	90,148
Net assets released from restrictions	118,681	(97,473)	(21,208)	-	-
<b>Total revenues</b>	<b>1,976,115</b>	<b>(97,473)</b>	<b>46,480</b>	<b>1,925,122</b>	<b>1,923,246</b>
<b>Expenses (see schedule)</b>					
Program services	1,794,711	-	-	1,794,711	1,806,149
Management and general	145,244	-	-	145,244	186,251
Fundraising	216,202	-	-	216,202	141,752
<b>Total expenses</b>	<b>2,156,157</b>	<b>-</b>	<b>-</b>	<b>2,156,157</b>	<b>2,134,152</b>
<b>Change in net assets</b>	<b>(180,042)</b>	<b>(97,473)</b>	<b>46,480</b>	<b>(231,035)</b>	<b>(210,906)</b>
<b>Transfers</b>	<b>(57,131)</b>	<b>57,131</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets - beginning of year</b>	<b>2,040,131</b>	<b>2,663,834</b>	<b>65,883</b>	<b>4,769,848</b>	<b>4,980,754</b>
<b>Net assets - end of year</b>	<b>\$ 1,802,958</b>	<b>\$ 2,623,492</b>	<b>\$ 112,363</b>	<b>\$ 4,538,813</b>	<b>\$ 4,769,848</b>

*The accompanying notes are an integral part of these financial statements.*

*The Carpenter's Shelter, Inc.*

*Schedule of Functional Expenses*

Year Ended June 30, 2009, with Comparative Totals for 2008

	2009			2008				
	Program Services	Management and General	Fundraising	Total 2009	Program Services	Management and General	Fundraising	Total 2008
Personnel	\$ 918,487	\$ 90,715	\$ 124,733	\$ 1,133,935	\$ 943,466	\$ 120,581	\$ 84,179	\$ 1,148,226
Depreciation and amortization	89,653	1,839	460	91,952	92,393	1,895	474	94,762
Utilities	51,672	1,060	265	52,997	50,297	1,032	258	51,587
Telephone	17,895	367	92	18,354	17,908	367	92	18,367
Repairs and maintenance	69,832	1,432	358	71,623	71,166	1,460	365	72,991
Insurance	17,334	1,802	89	19,224	21,242	1,882	109	23,233
Donated services	170,929	16,882	23,213	211,023	181,713	23,539	16,432	221,684
Donated food	196,443	-	-	196,443	184,306	-	-	184,306
Food	8,839	-	-	8,839	12,657	-	-	12,657
Transportation	4,703	-	-	4,703	5,397	-	-	5,397
Resident supplies	52,785	-	-	52,785	47,505	-	-	47,505
Resident activities	46,020	-	-	46,020	25,829	-	-	25,829
Transitional housing	42,764	-	-	42,764	35,526	-	-	35,526
Dues and subscriptions	3,553	5,329	-	8,882	3,761	5,641	-	9,402
Office supplies	5,031	3,938	1,969	10,938	6,584	5,152	2,576	14,312
Professional and other fees	6,552	1,285	5,011	12,848	8,085	1,585	6,182	15,852
Accounting fees	-	12,000	-	12,000	-	10,000	-	10,000
Postage	11,527	961	6,724	19,212	10,133	845	5,911	16,889
Printing	7,669	2,092	13,479	23,239	8,132	2,218	14,292	24,642
Real estate taxes	33,716	692	173	34,581	32,560	668	167	33,395
Travel and entertainment	703	2,482	952	4,137	1,329	4,691	1,799	7,819
Conference and meetings	186	1,327	1,141	2,653	268	1,916	1,648	3,832
Fundraising supplies and expenses	-	-	36,112	36,112	-	-	5,328	5,328
Scholarship expense	27,859	-	-	27,859	24,151	-	-	24,151
Miscellaneous	10,558	1,043	1,434	13,034	21,741	2,779	1,940	26,460
	\$ 1,794,711	\$ 145,244	\$ 216,202	\$ 2,156,157	\$ 1,806,149	\$ 186,251	\$ 141,752	\$ 2,134,152

The accompanying notes are an integral part of these financial statements.

*The Carpenter's Shelter, Inc.*

*Statement of Cash Flows*

**Year Ended June 30, 2009, with Comparative Totals for 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (231,035)	\$ (210,906)
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	91,952	94,762
Net loss on investments	104,183	36,036
Loss on sale of property and equipment	600	-
Cancellation of debt on Lynhaven Apartments	10,075	9,584
Change in:		
Grants receivable	(10,500)	(5,000)
Accounts receivable	13,689	(33,471)
Prepaid expenses	(1,608)	13,619
Accounts payable	(9,346)	4,842
Accrued salaries and benefits	7,581	22,747
Resident cash escrow	13,456	134
Deferred grant revenue	7,500	(11,491)
Security deposits	500	3,000
<b>Net cash from operating activities</b>	<b>(2,953)</b>	<b>(76,144)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(776,121)	(515,497)
Proceeds from investments	517,998	613,160
Purchase of property and equipment	(33,406)	(17,084)
<b>Net cash from investing activities</b>	<b>(291,529)</b>	<b>80,579</b>
<b>Net change in cash and cash equivalents</b>	<b>(294,482)</b>	<b>4,435</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>788,273</b>	<b>783,838</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 493,791</b>	<b>\$ 788,273</b>

*The accompanying notes are an integral part of these financial statements.*

*The Carpenter's Shelter, Inc.*

*Notes to Financial Statements*

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**June 30, 2009**

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**1. Organization and Nature of Activities**

*The Carpenter's Shelter, Inc.* (Shelter) was established in 1988 as a temporary 24-hour shelter to respond to the growing need for emergency housing for homeless families and individuals primarily in the Alexandria, Virginia area. Since 1988, the Shelter has evolved into a safe haven where programs and services promote self-sufficiency for families and individuals in an environment of dignity and caring. The Shelter's major sources of revenue are grants and contributions.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Shelter prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

In preparing these financial statements, the Shelter has evaluated events and transactions for potential recognition or disclosure through September 18, 2009, the date the financial statements were available to be issued.

**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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Contributions**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

**Cash and Cash Equivalents**

For purposes of reporting on the statement of cash flows, the Shelter includes all cash accounts and any short-term instruments with an original maturity of three months or less as cash and cash equivalents.

## **Accounts Receivable**

Accounts receivable is stated at the amount management expects to collect from balances outstanding at year-end, and at June 30, 2009 included \$19,500 in future promises to give. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established.

## **Deferred Grant Revenue**

Deferred grant revenue represents unspent resources for exchange contracts received in the current year that will be expended in future periods.

## **Investments**

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under accounting standards are described below:

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Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Shelter has the ability to access.

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Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Shelter at year-end. The Shelter records its investments at their fair value in the statement of financial position. Investments are subject to market fluctuations.

The following table sets forth by level, within the fair value hierarchy, the Shelter's investments at fair value at June 30, 2009:

	<b>Investments at Fair Value at June 30, 2009</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 1,424,906	\$ -	\$ -	\$ 1,424,906

### **Property, Equipment and Depreciation**

Property and equipment are stated at cost. Depreciation is based on estimated useful service lives and is computed on the straight-line method. Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred.

The estimated useful lives of the property and equipment currently being depreciated is as follows:

Furniture and equipment	3 - 10 years
Building and building improvements	40 years

### **Financial Statement Presentation**

The Shelter classifies its resources for accounting and reporting purposes into three net asset categories according to the existence or absence of externally (donor) imposed restrictions. The net asset classes are: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

For 2009 and 2008, the Shelter's net assets are classified as follows:

*Unrestricted, undesignated* - are net assets that include the revenues and expenses associated with the principal mission of the Shelter.

*Unrestricted, designated* - is an unrestricted fund established by the Board of Directors for the purpose of renovating and maintaining the new shelter for the residents and offices of the Shelter, and providing new housing for the homeless, and for other programs and services as may be deemed appropriate for the shelter.

*Temporarily restricted* - are net assets that include grants or gifts for which donor imposed restrictions have not been met. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Current temporarily restricted assets consist of a scholarship fund to provide educational support for shelter recipients and a fund to staff the education coordinator position totaling \$44,675 and \$67,688, respectively, at June 30, 2009.

As of June 30, 2009 and 2008, there were no permanently restricted net assets.

### **Donated Services and Meals**

Donated services are recognized as contributions in accordance with accounting standards, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

The Shelter receives donated resident support services from accountants, attorneys, cooks, doctors and nurses. The Shelter also receives donated food for meals for residents. These donated services and meals have been recorded in the financial statements at their estimated fair value under program expenses and totaled \$407,506 and \$327,923 for 2009 and 2008, respectively. During 2009 and 2008 there were approximately 15,283 and 13,780 hours of volunteer time, respectively that are not recognized as contributions in the financial statements since the recognition criteria under accounting standards were not met.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited.

### Reclassification

Certain amounts from the 2008 financial statements have been reclassified to conform to the current year presentation.

### Income Taxes

The Shelter is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. The Shelter had no unrelated business income for 2009 and 2008.

## 3. Restricted Cash - Resident Cash Escrow

The Shelter maintains a separate cash account in which cash is held on behalf of residents. These funds are exclusively held for the residents and are not available to pay the Shelter's expenses. These amounts are reflected as both an asset and a liability of the Shelter on the statement of financial position. Deposits and withdrawals are made at the discretion of each participating resident.

## 4. Investments

Elements of investments, at market value, as of June 30 were as follows:

	<u>2009</u>	<u>2008</u>
Mutual funds	\$ 1,424,906	\$ 770,966
Fixed income securities	-	500,000
	<u>\$ 1,424,906</u>	<u>\$ 1,270,966</u>

Investment income reflected in the statement of activities consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 32,658	\$ 61,542
Interest on investment in Lynhaven Apartments	9,724	10,214
Net loss on investments	(104,183)	(36,036)
	<u>\$ (61,801)</u>	<u>\$ 35,720</u>

## 5. Investment in Lynhaven Apartments

In June 2002, the Shelter loaned \$250,000 at an interest rate of 5% per annum to Wesley Lynhaven Housing Corporation towards the acquisition and refurbishment of the 28-unit Lynhaven Apartments. The loan will be cancelled, provided there is no default on the other loans on the apartments, over 20 years. In the event of the sale or refinancing of the apartments, the Shelter would receive 50% of the net proceeds.

Future debt cancellation for years ending June 30 is as follows:

2010	\$	19,799
2011		19,799
2012		19,799
2013		19,799
2014		19,799
Thereafter		158,391
Total payments		<u>257,386</u>
Less interest		<u>(68,030)</u>
Investment - net of cancellation	\$	<u>189,356</u>

In exchange for the cancellation of the loan, the Shelter has the right to use four units to provide affordable housing for Shelter residents. The Shelter intends to sublease these four units to its residents as transitional housing. Units used by the Shelter are rented to residents at amounts based upon their ability to pay. For those units that it utilizes, the Shelter also pays \$400 per unit per month to Wesley Lynhaven Housing to cover the pro-rata monthly portion of each unit's operating expenses and the pro-rata portion of each unit's replacement reserves. For units not rented, Wesley Lynhaven Housing pays the Shelter \$450 per unit per month. As of June 30, 2009 and 2008, four units were rented.

## 6. Unrestricted Designated Net Assets

Unrestricted designated net assets at June 30, 2009 were available for the following purposes:

Hoffman Fund	\$	750,056	*
Scholarships		248,064	*
Building reserve fund		346,126	
Building		<u>1,279,246</u>	
	\$	<u>2,623,492</u>	

\* An additional \$44,675 and \$67,688 in Scholarships and Hoffman funds, respectively, are reflected as temporarily restricted funds.

## 7. Retirement Plan

The Shelter's management established a Salary Deferral Plan under Section 403(b) of the Internal Revenue Code effective January 1, 2000, covering employees who have completed one year of service and who are at least 21 years of age. This Plan is funded by voluntary contributions through salary reductions plus an employer match of up to 2%. The Plan also allows for a discretionary profit-sharing contribution. Contributions to the Plan totaled \$27,156 and \$24,535 for 2009 and 2008, respectively.

## **8. Concentration of Credit Risk**

The Shelter maintains bank deposit accounts which, at times, may exceed the federally insured limit. The Shelter has not experienced any losses in such accounts. The Shelter's management believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2009, the federally uninsured amount was \$51,161, consisting of investments which are covered by SPIC.

## **9. Prior Year Summarized Information**

The financial statements include prior year summarized comparative information in total but not by 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. Accordingly, such information should be read in conjunction with the Shelter's financial statements for 2008, from which the summarized information was derived.

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