

CARPENTER'S SHELTER, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2016

(with summarized comparative information for June 30, 2015)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 20
SUPPLEMENTARY INFORMATION	
Statement of Functional Expenses with Form 990 Reconciliation	21

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Carpenter's Shelter, Inc.
Alexandria, Virginia

We have audited the accompanying financial statements of Carpenter's Shelter, Inc. (the Shelter) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shelter as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Shelter's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses with Form 990 reconciliation on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Renner and Company, CPA, P.C.

Alexandria, Virginia
August 31, 2016

CARPENTER'S SHELTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016 (with summarized comparative information as of June 30, 2015)

	2016				2015
	Unrestricted			Total	Total
	Operating	Board Designated	Temporarily Restricted		
CURRENT ASSETS					
Cash and cash equivalents	\$ 437,077	\$ -	\$ 45,305	\$ 482,382	\$ 492,210
Accounts receivable	2,626	-	-	2,626	23,607
Prepaid expense	42,667	-	-	42,667	19,703
TOTAL CURRENT ASSETS	<u>482,370</u>	<u>-</u>	<u>45,305</u>	<u>527,675</u>	<u>535,520</u>
PROPERTY AND EQUIPMENT, net	<u>1,371,331</u>	<u>1,052,341</u>	<u>-</u>	<u>2,423,672</u>	<u>2,449,517</u>
OTHER ASSETS					
Cash designated for maintenance	-	497,030	-	497,030	276,653
Investments - reserve and designated	-	2,063,628	-	2,063,628	1,188,851
TOTAL OTHER ASSETS	<u>-</u>	<u>2,560,658</u>	<u>-</u>	<u>2,560,658</u>	<u>1,465,504</u>
TOTAL ASSETS	<u>\$ 1,853,701</u>	<u>\$ 3,612,999</u>	<u>\$ 45,305</u>	<u>\$ 5,512,005</u>	<u>\$ 4,450,541</u>
	LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES					
Accounts payable	\$ 68,236	\$ -	\$ -	\$ 68,236	\$ 33,628
Accrued salaries and benefits	70,663	-	-	70,663	72,851
Resident cash escrow	11,373	-	-	11,373	11,274
Grant advance	41,667	-	-	41,667	62,500
TOTAL CURRENT LIABILITIES	<u>191,939</u>	<u>-</u>	<u>-</u>	<u>191,939</u>	<u>180,253</u>
OTHER LIABILITIES					
Security deposits	1,100	-	-	1,100	-
TOTAL LIABILITIES	<u>193,039</u>	<u>-</u>	<u>-</u>	<u>193,039</u>	<u>180,253</u>
COMMITMENTS AND CONTINGENCIES					
NET ASSETS	<u>1,660,662</u>	<u>3,612,999</u>	<u>45,305</u>	<u>5,318,966</u>	<u>4,270,288</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,853,701</u>	<u>\$ 3,612,999</u>	<u>\$ 45,305</u>	<u>\$ 5,512,005</u>	<u>\$ 4,450,541</u>

See Notes to the Financial Statements.

CARPENTER'S SHELTER, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	2016			2015	
	Unrestricted		Temporarily Restricted	Total	Total
	Operating	Board Designated			
SUPPORT AND REVENUE					
Grants					
State shelter support	\$ 291,276	\$ -	\$ -	\$ 291,276	\$ 287,826
City of Alexandria	58,000	-	-	58,000	86,763
Federal shelter support	19,962	-	-	19,962	21,417
Other	307,583	-	87,500	395,083	413,954
Contracts - City of Alexandria					
Hypothermia Shelter	96,110	-	-	96,110	99,759
Contributions	733,912	1,097,323	-	1,831,235	652,171
United Way contributions	46,178	-	-	46,178	63,881
Special events	107,794	-	-	107,794	154,652
Donated services and meals	265,238	-	-	265,238	283,995
Investment income	1,521	(24,143)	11	(22,611)	14,705
Other income	5,371	-	-	5,371	2,745
Net assets released from restrictions	60,431	-	(60,431)	-	-
TOTAL SUPPORT AND REVENUE	1,993,376	1,073,180	27,080	3,093,636	2,081,868
EXPENSES					
Program services	1,603,942	-	-	1,603,942	1,730,997
Management and general	142,042	-	-	142,042	175,802
Fundraising	298,974	-	-	298,974	313,708
TOTAL EXPENSES	2,044,958	-	-	2,044,958	2,220,507
CHANGE IN NET ASSETS	(51,582)	1,073,180	27,080	1,048,678	(138,639)
NET ASSETS, beginning of year	1,701,803	2,550,260	18,225	4,270,288	4,408,927
TRANSFERS	10,441	(10,441)	-	-	-
NET ASSETS, end of year	\$ 1,660,662	\$ 3,612,999	\$ 45,305	\$ 5,318,966	\$ 4,270,288

See Notes to the Financial Statements.

CARPENTER'S SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	2016			Total Expenses	2015
	Program Services	Management and General	Fundraising		Total Expenses
Personnel	\$ 1,007,833	\$ 92,455	\$ 152,040	\$ 1,252,328	\$ 1,350,009
Depreciation	86,686	4,816	4,816	96,318	94,024
Utilities	42,542	2,015	2,015	46,572	48,909
Telephone	9,085	4,670	4,075	17,830	19,032
Repairs and maintenance	41,277	2,127	271	43,675	53,449
Insurance	18,850	994	994	20,838	22,262
Donated services	21,960	870	-	22,830	58,820
Donated food	172,528	-	-	172,528	183,425
Donated event expenses	-	-	69,880	69,880	41,750
Food and dining supplies	17,765	-	-	17,765	19,313
Transportation	6,302	-	-	6,302	5,634
Resident supplies	14,995	-	-	14,995	15,227
Resident activities	3,534	-	-	3,534	15,546
Rapid Rehousing	93,230	-	-	93,230	85,263
Dues and subscriptions	186	824	75	1,085	1,822
Office supplies	2,115	3,856	794	6,765	5,305
Professional and other fees	211	-	2,975	3,186	22,500
Software and information technology	2,591	9,086	13,458	25,135	4,187
Accounting fees	5,900	4,519	2,950	13,369	17,854
Banking and credit card fees	434	10,149	707	11,290	8,233
Postage	1,489	1,359	814	3,662	4,144
Printing	4,823	1,580	1,638	8,041	8,504
Real estate taxes	41,033	1,973	1,973	44,979	43,694
Travel and entertainment	2,054	333	151	2,538	1,192
Conference and meetings	283	416	170	869	1,217
Fundraising supplies and expenses	-	-	39,178	39,178	63,935
Scholarship expense	6,236	-	-	6,236	4,722
Bad debt expense	-	-	-	-	29,535
TOTAL EXPENSES	\$ 1,603,942	\$ 142,042	\$ 298,974	\$ 2,044,958	\$ 2,229,507

See Notes to the Financial Statements.

CARPENTER'S SHELTER, INC.**STATEMENT OF CASH FLOWS****Year ended June 30, 2016****(with comparative information for the year ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 3,116,395	\$ 2,061,945
Interest and dividends	<u>82,783</u>	<u>56,251</u>
	<u>3,199,178</u>	<u>2,118,196</u>
Cash used in operations		
Payments to employees and suppliers	<u>1,938,084</u>	<u>2,122,860</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,261,094</u>	<u>(4,664)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,097,886)	(264,215)
Proceeds from sale of investments	117,715	209,632
Cash designated for maintenance	(220,377)	(32,028)
Purchase of property and equipment	(70,473)	(16,922)
Resident cash escrow	99	1,675
Collection of Lynhaven Apartments note receivable	<u>-</u>	<u>153,000</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(1,270,922)</u>	<u>51,142</u>
NET (DECREASE) INCREASE IN CASH	(9,828)	46,478
CASH AND CASH EQUIVALENTS, beginning of year	<u>492,210</u>	<u>445,732</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 482,382</u>	<u>\$ 492,210</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized loss in fair value of investments	\$ 121,282	\$ 33,238
Decrease in investment value	<u>(121,282)</u>	<u>(33,238)</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements.

CARPENTER'S SHELTER, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2016

(with comparative information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 1,048,678</u>	<u>\$ (138,639)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Realized and unrealized losses on investments	105,394	41,546
Depreciation	96,318	94,024
Cancellation of investment in Lynhaven Apartments	<u>-</u>	<u>11,535</u>
NET ADJUSTMENTS	<u>201,712</u>	<u>147,105</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable	20,981	20,626
Prepaid expense	(22,964)	(7,858)
Security deposits	1,100	-
	<u>(883)</u>	<u>12,768</u>
LIABILITIES		
Accounts payable	34,608	1,594
Accrued salaries and benefits	(2,188)	(1,648)
Grant advance	<u>(20,833)</u>	<u>(25,844)</u>
	<u>11,587</u>	<u>(25,898)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>10,704</u>	<u>(13,130)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 1,261,094</u></u>	<u><u>\$ (4,664)</u></u>

See Notes to the Financial Statements.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Carpenter's Shelter, Inc. (the Shelter) was established in 1988 as a 24-hour shelter to respond to the growing need for temporary emergency housing for homeless families and individuals primarily in the Alexandria, Virginia area. Since 1988, the Shelter has evolved to include comprehensive programs and services that 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.

Significant Accounting Policies

Basis of Accounting

The Shelter prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

For the purpose of reporting on the statement of cash flows, the Shelter includes all checking and money market accounts held at banking institutions as cash and any short-term instruments such as money market funds held within the brokerage account as cash equivalents. Cash designated for maintenance and segregated in the statements of financial position is excluded from cash and cash equivalents.

Resident Cash Escrow

The Shelter maintains a separate cash escrow account in which funds are held on behalf of residents. These funds are exclusively held for the residents and are not available to pay the Shelter's expenses. Deposits and withdrawals are made at the discretion of each participating resident.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from balances outstanding at year-end. 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.

Property and Depreciation

Property is recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The Shelter capitalizes all property, building, and equipment with a cost of \$500 or more. Significant renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred.

Investments

Investments are stated at fair value based on quoted market prices. Unrealized gains and losses are included in investment income in the statement of activities.

The Shelter invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Grant Advance

The grant advance represents resources received in the current year that will be expended in accordance with the terms of the grant in future periods.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Shelter, the Shelter has divided its resources available for various purposes into classes established according to their nature and purpose. Net assets of the Shelter are classified as follows:

Unrestricted Net Assets include operating net assets that are available for the general operations of the Shelter, as well as Board designated net assets set aside for the purpose of renovating and maintaining the shelter for the residents and offices of the Shelter, connecting residents to permanent housing, and for other programs and services as may be deemed appropriate for the Shelter.

Temporarily Restricted Net Assets include net assets that are subject to donor-imposed restrictions for support of a particular program activity. Currently, temporarily restricted net assets consist of amounts contributed to a scholarship fund to provide educational support for shelter recipients as well as other contributions designated for specific purposes.

Permanently Restricted Net Assets include net assets that are subject to donor-imposed restrictions held in perpetuity by the Shelter. Currently, the Shelter does not maintain any permanently restricted net assets.

Contribution and Revenue Recognition

Contributions are recognized in the period in which they are earned; that is the period in which either a pledge commitment was made or a general contribution was received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Shelter reports the support as unrestricted.

In-kind Support

Donated materials and services represent the estimated fair value of materials and services provided. Contributed services are recognized if the services received create non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the years ended June 30, 2016 and 2015. The Shelter is not aware of any activities that would jeopardize its tax-exempt status that would require recognition within the accompanying financial statements.

The Shelter's Federal Exempt Organization Business Income Tax returns (Form 990) for the tax years 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they are filed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Shelter participates in federally assisted programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit in the future. Management estimates that there are no material unallowable costs.

Expense Allocation

Expenses are charged directly to program services in general categories based on specific identification. Indirect expenses have been allocated to program services, management and general, and fundraising expenses based on level of effort applied to those areas.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Checking	\$ 255,832	\$ 314,185
Money market funds	226,050	177,525
Petty cash	500	500
	<u>\$ 482,382</u>	<u>\$ 492,210</u>

The above cash is presented on the financial statements as follows:

	<u>2016</u>	<u>2015</u>
Operating	\$ 437,077	\$ 473,985
Temporarily restricted	45,305	18,225
	<u>\$ 482,382</u>	<u>\$ 492,210</u>

Cash and cash equivalents as well as cash held for maintenance not insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation were \$274,540 and \$69,500 as of June 30, 2016 and 2015, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Grants		
Virginia DHCD Homeless Solution Grant	\$ 2,071	\$ 21,710
Other	-	1,237
	<u>2,071</u>	<u>22,947</u>
Individual pledges, due in less than one year	555	660
	<u>\$ 2,626</u>	<u>\$ 23,607</u>

CARPENTER'S SHELTER, INC.**NOTES TO FINANCIAL STATEMENTS****Year ended June 30, 2016****(with summarized comparative information for the year ended June 30, 2015)****4. PROPERTY AND EQUIPMENT**

A summary of information related to property and depreciation for the years ended June 30, 2016 and 2015 is as follows:

	June 30, 2016			
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense
Land	-	\$ 895,000	\$ -	\$ -
Building	40	2,134,272	925,312	53,357
Furniture and equipment	3 - 10	114,422	23,060	7,950
Building improvements	3 - 20	391,734	163,384	32,717
		<u>\$ 3,535,428</u>	<u>\$ 1,111,756</u>	<u>\$ 96,318</u>

	June 30, 2015			
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense
Land	-	\$ 895,000	\$ -	\$ -
Building	40	2,134,272	871,956	53,357
Furniture and equipment	3 - 10	70,142	34,403	7,950
Building improvements	3 - 20	411,224	154,762	32,717
		<u>\$ 3,510,638</u>	<u>\$ 1,061,121</u>	<u>\$ 94,024</u>

CARPENTER'S SHELTER, INC.**NOTES TO FINANCIAL STATEMENTS****Year ended June 30, 2016****(with summarized comparative information for the year ended June 30, 2015)****5. INVESTMENTS**

Investments are recorded at fair value as of June 30, 2016 and 2015 as shown below:

	2016		
	Cost	Fair Value	Appreciation
Mutual funds			
Small Cap Growth	\$ 81,119	\$ 83,227	\$ 2,108
Blackrock Equity Dividend	329,633	354,556	24,923
Fidelity New Insights	327,330	349,336	22,006
Goldman Sachs Strategic	325,488	306,285	(19,203)
US Government Money Instruments	40,501	40,501	-
Metropolitan Total Return	131,632	134,841	3,209
Principal MidCap	102,085	103,749	1,664
Prudential Total Return	134,623	135,283	660
Royce Premier	68,778	61,508	(7,270)
Templeton Global	108,725	104,215	(4,510)
Thornburg Intl Value	224,485	199,677	(24,808)
Wells Fargo Emerging Markets	193,883	190,450	(3,433)
	<u>\$ 2,068,282</u>	<u>\$ 2,063,628</u>	<u>\$ (4,654)</u>
	2015		
	Cost	Fair Value	Appreciation
Mutual funds			
Small Cap Growth	\$ 39,451	\$ 51,667	\$ 12,216
Blackrock Equity Dividend	134,802	175,432	40,630
Fidelity New Insights	213,026	267,461	54,435
Goldman Sachs Strategic	181,644	175,285	(6,359)
US Government Money Instruments	21,483	21,483	-
Metropolitan Total Return	72,725	74,344	1,619
Principal MidCap	23,247	24,275	1,028
Prudential Total Return	76,430	74,036	(2,394)
Royce Premier	34,643	35,738	1,095
Templeton Global	58,706	57,717	(989)
Thornburg Intl Value	113,135	127,033	13,898
Wells Fargo Emerging Markets	102,945	104,380	1,435
	<u>\$ 1,072,237</u>	<u>\$ 1,188,851</u>	<u>\$ 116,614</u>

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

5. INVESTMENTS (Continued)

Investment income, net of management fees, for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividends	\$ 89,811	\$ 63,271
Unrealized loss	(121,282)	(33,238)
Realized gain (loss)	15,888	(8,308)
Investment fees	(7,028)	(7,020)
	<u>\$ (22,611)</u>	<u>\$ 14,705</u>

6. FAIR VALUE MEASUREMENTS

The Shelter records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Shelter has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

6. FAIR VALUE MEASUREMENTS (Continued)

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Shelter's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30, 2016 and 2015:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Small Cap Growth	\$ 83,227	\$ 83,227	\$ -	\$ -
Blackrock Equity Dividend	354,556	354,556	-	-
Fidelity New Insights	349,336	349,336	-	-
Goldman Sachs Strategic	306,285	306,285	-	-
US Government Money Instruments	40,501	40,501	-	-
Metropolitan Total Return	134,841	134,841	-	-
Principal MidCap	103,749	103,749	-	-
Prudential Total Return	135,283	135,283	-	-
Royce Premier	61,508	61,508	-	-
Templeton Global	104,215	104,215	-	-
Thornburg Intl Value	199,677	199,677	-	-
Wells Fargo Emerging Markets	190,450	190,450	-	-
	<u>\$ 2,063,628</u>	<u>\$ 2,063,628</u>	<u>\$ -</u>	<u>\$ -</u>

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

6. FAIR VALUE MEASUREMENTS (Continued)

	2015			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Small Cap Growth	\$ 51,667	\$ 51,667	\$ -	\$ -
Blackrock Equity Dividend	175,432	175,432	-	-
Fidelity New Insights	267,461	267,461	-	-
Goldman Sachs Strategic	175,285	175,285	-	-
US Government Money Instruments	21,483	21,483	-	-
Metropolitan Total Return	74,344	74,344	-	-
Principal MidCap	24,275	24,275	-	-
Prudential Total Return	74,036	74,036	-	-
Royce Premier	35,738	35,738	-	-
Templeton Global	57,717	57,717	-	-
Thornburg Intl Value	127,033	127,033	-	-
Wells Fargo Emerging Markets	104,380	104,380	-	-
	<u>\$ 1,188,851</u>	<u>\$ 1,188,851</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are reported at fair values as provided by the investment managers or other third-party service providers. Specifically, mutual funds are based on quoted prices in active markets.

7. UNRESTRICTED BOARD DESIGNATED NET ASSETS

Unrestricted Board designated net assets at June 30, 2016 and 2015 consisted of the following:

	2016			
	Balance at July 1, 2015	Revenue and Support	Transfers to (from) Operating	Balance at June 30, 2016
Hoffman fund	\$ 895,893	\$ 1,078,570	\$ -	\$ 1,974,463
Education fund	307,430	(6,425)	(10,000)	291,005
Building reserve fund	262,181	1,035	31,974	295,190
Building	1,084,756	-	(32,415)	1,052,341
	<u>\$ 2,550,260</u>	<u>\$ 1,073,180</u>	<u>\$ (10,441)</u>	<u>\$ 3,612,999</u>

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

7. UNRESTRICTED BOARD DESIGNATED NET ASSETS (Continued)

	2015			
	Balance at July 1, 2014	Revenue and Support	Transfers to (from) Operating	Balance at June 30, 2015
Hoffman fund	\$ 885,820	\$ 10,073	\$ -	\$ 895,893
Education fund	309,514	(2,084)	-	307,430
Building reserve fund	225,105	1,076	36,000	262,181
Building	1,117,171	-	(32,415)	1,084,756
	<u>\$ 2,537,610</u>	<u>\$ 9,065</u>	<u>\$ 3,585</u>	<u>\$ 2,550,260</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of June 30, 2016 and 2015 for the following purposes or time periods:

	2016			
	Balance at July 1, 2015	Revenue and Support	Released	Balance at June 30, 2016
Scholarship fund	\$ 8,656	\$ 10,011	\$ (6,237)	\$ 12,430
Children's fund	-	5,000	(5,000)	-
Various	9,569	72,500	(49,194)	32,875
	<u>\$ 18,225</u>	<u>\$ 87,511</u>	<u>\$ (60,431)</u>	<u>\$ 45,305</u>

	2015			
	Balance at July 1, 2014	Revenue and Support	Released	Balance at June 30, 2015
Scholarship fund	\$ 7,683	\$ 5,401	\$ (4,428)	\$ 8,656
Children's fund	5,540	5,000	(10,540)	-
Employment fund	5,000	-	(5,000)	-
Various	5,275	40,000	(35,706)	9,569
	<u>\$ 23,498</u>	<u>\$ 50,401</u>	<u>\$ (55,674)</u>	<u>\$ 18,225</u>

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

9. CONCENTRATIONS - CONTRIBUTIONS

For the year ended June 30, 2016 the Shelter received \$1,047,323 or 34% of its total support and revenue from a single donor as part of a planned gift. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

10. DONATED SERVICES AND MEALS

The Shelter receives donated resident support services from accountants, attorneys, doctors, cooks, nurses, and other professionals. 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 in the statement of activities. The following table outlines the activity for the years ended June 30, 2016 and 2015, respectively:

	2016	2015
Food	\$ 172,528	\$ 183,425
Fundraising goods	69,880	41,750
Professional fees	22,830	58,820
	<u>\$ 265,238</u>	<u>\$ 283,995</u>

During 2016 and 2015, there were approximately 16,463 and 17,307 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.

11. 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 employer contribution for which the Shelter did not contribute during the fiscal year. Employer contributions to the Plan were \$10,241 and \$9,660 for the years ended June 30, 2016 and 2015, respectively.

CARPENTER'S SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

12. COMMITMENTS AND CONTINGENCIES

On December 21, 2015, the Shelter entered into a memorandum of understanding with the Alexandria Housing Development Corporation (AHDC) to develop a new homeless shelter, a minimum of ten permanent supportive housing units (PSH units), no fewer than 75 and no more than 100 affordable residential housing units (Residential Development), and an underground parking structure. Under the terms of the agreement, the Shelter will sell its existing property to AHDC or a limited partnership formed to own the Residential Development for the agreed fair market value prior or simultaneous to the closing for construction financing. As part of the development AHDC anticipates receiving a portion of the available low income housing tax credits from the Virginia Housing Development Authority. The Shelter and AHDC have agreed that the PSH units shall be owned by the Shelter unless it is advantageous for AHDC to own the units in order to maximize the low income housing tax credits. It is anticipated that the Shelter and AHDC will enter into a purchase agreement no later than the deadline for the submission of the tax credit application. The execution of the purchase agreement is subject to the Shelter making arrangements for a temporary location to continue its operations and homeless shelter during the construction period. The agreement may be terminated by mutual written consent of the Shelter and AHDC or upon the occurrence of several circumstances.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Shelter has evaluated events and transactions for potential recognition or disclosure through August 31, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CARPENTER'S SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES WITH FORM 990 RECONCILIATION

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	2016			Total Expense	2015
	Program Services	Management and General	Fundraising		Total Expenses
Personnel	\$ 1,007,833	\$ 92,455	\$ 152,040	\$ 1,252,328	\$ 1,350,009
Depreciation	86,686	4,816	4,816	96,318	94,024
Utilities	42,542	2,015	2,015	46,572	48,909
Telephone	9,085	4,670	4,075	17,830	19,032
Repairs and maintenance	41,277	2,127	271	43,675	53,449
Insurance	18,850	994	994	20,838	22,262
Donated services	21,960	870	-	22,830	58,820
Donated food	172,528	-	-	172,528	183,425
Donated event expenses	-	-	69,880	69,880	41,750
Food and dining supplies	17,765	-	-	17,765	19,313
Transportation	6,302	-	-	6,302	5,634
Resident supplies	14,995	-	-	14,995	15,227
Resident activities	3,534	-	-	3,534	15,546
Rapid Rehousing	93,230	-	-	93,230	85,263
Dues and subscriptions	186	824	75	1,085	1,822
Office supplies	2,115	3,856	794	6,765	5,305
Professional and other fees	211	-	2,975	3,186	22,500
Software and information technology	2,591	9,086	13,458	25,135	4,187
Accounting fees	5,900	4,519	2,950	13,369	17,854
Banking and credit card fees	434	10,149	707	11,290	8,233
Postage	1,489	1,359	814	3,662	4,144
Printing	4,823	1,580	1,638	8,041	8,504
Real estate taxes	41,033	1,973	1,973	44,979	43,694
Travel and entertainment	2,054	333	151	2,538	1,192
Conference and meetings	283	416	170	869	1,217
Fundraising supplies and expenses	-	-	39,178	39,178	63,935
Scholarship expense	6,236	-	-	6,236	4,722
Bad debt expense	-	-	-	-	20,535
TOTAL EXPENSES	1,603,942	142,042	298,974	2,044,958	2,220,507
Donated services and use of facilities	(21,960)	(870)	-	(22,830)	(58,820)
Investment brokerage fees	-	7,028	-	7,028	7,020
Fundraising supplies and expenses	-	-	(88,662)	(88,662)	(82,092)
Total expenses per Federal Form 990	<u>\$ 1,581,982</u>	<u>\$ 148,200</u>	<u>\$ 210,312</u>	<u>\$ 1,940,494</u>	<u>\$ 2,086,615</u>
Percentage of total expenses	<u>81%</u>	<u>8%</u>	<u>11%</u>	<u>100%</u>	<u>100%</u>

See Independent Auditors' Report.