

SHEPHERD'S GATE

FINANCIAL STATEMENTS

JUNE 30, 2025

SHEPHERD'S GATE

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1022 E. DEEVIEW DRIVE
COVINA, CALIFORNIA 91724

Independent Auditor's Report

To the Board of Directors of Shepherd's Gate:
Covina, California

Opinion

I have audited the financial statements of Shepherd's Gate (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, cash flows, and statement of functional expenses for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shepherd's Gate as of June 30, 2025, and the changes in its net assets, cash flows and statement of functional expenses, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Shepherd's Gate and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

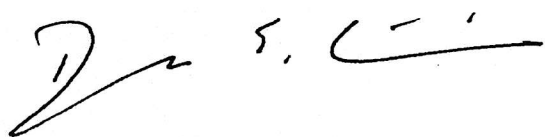
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shepherd's Gate internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shepherd's Gate ability to continue as a going concern for a reasonable period of time.

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



August 19, 2025

SHEPHERD'S GATE
Statement of Financial Position
June 30, 2025

Assets

Cash and cash equivalents (Note 2)	\$ 487,226
Prepaid expenses	98,708
Accrued interest income	102,155
Inventory (Note 6)	75,000
Investments (Notes 2, 13 and 14)	4,263,664
Investments - with donor restrictions (Notes 2, 10, 13 and 14)	611,336
Construction in progress (Note 3)	280,263
Right of use asset (Note 5)	171,138
Property and equipment (Notes 2 and 3)	<u>6,688,513</u>
 Total assets	 <u><u>\$ 12,778,003</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 19,436
Accrued expenses	249,139
Lease obligations (Note 5)	171,138
Loan payable (Note 8)	<u>269,615</u>
 Total liabilities	 <u>709,328</u>

Net Assets

Net Assets without restrictions	8,417,339
Net Assets with board designations (Note 12)	3,040,000
Net Assets with donor restrictions (Note 10)	<u>611,336</u>
 Total net assets	 <u>12,068,675</u>
 Total liabilities and net assets	 <u><u>\$ 12,778,003</u></u>

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Statement of Activities
For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total All Funds
Public support:			
Grants and donations (Note 2)	\$ 3,637,897	\$ 585,522	\$ 4,223,419
Gifts in kind (Note 6)	2,549,246	-	2,549,246
Total public support	<u>6,187,143</u>	<u>585,522</u>	<u>6,772,665</u>
Revenue:			
Thrift store (Note 9)	956,565	-	956,565
Investment income	268,677	-	268,677
Refundable solar tax credit	43,675	-	43,675
Total revenue	<u>1,268,917</u>	<u>-</u>	<u>1,268,917</u>
Total support and revenue	7,456,060	585,522	8,041,582
Thrift store cost of sales	<u>956,565</u>	<u>-</u>	<u>956,565</u>
Total support and net revenue before releases	6,499,495	585,522	7,085,017
Net assets released from restrictions	<u>243,785</u>	<u>(243,785)</u>	<u>-</u>
Total support and net revenue	<u>6,743,280</u>	<u>341,737</u>	<u>7,085,017</u>
Expenses			
Program services:			
Shelter and support	<u>4,537,241</u>	<u>-</u>	<u>4,537,241</u>
Supporting services:			
Thrift store expenses (Note 9)	789,822	-	789,822
General and administrative	501,431	-	501,431
Development	399,067	-	399,067
Total supporting services	<u>1,690,320</u>	<u>-</u>	<u>1,690,320</u>
Total expenses	<u>6,227,561</u>	<u>-</u>	<u>6,227,561</u>
Change in net assets	515,719	341,737	857,456
Net Assets, July 1, 2024	<u>10,941,620</u>	<u>269,599</u>	<u>11,211,219</u>
Net Assets, June 30, 2025	<u><u>\$ 11,457,339</u></u>	<u><u>\$ 611,336</u></u>	<u><u>\$ 12,068,675</u></u>

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Statement of Cash Flows
For the year ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	857,456
Adjustments to reconcile excess of change in net assets over expenses to net cash provided by operating activities:		
Depreciation and amortization		295,947
Increase in:		
Prepaid expenses		(47,627)
Accounts payable		5,885
Accrued interest income		(32,681)
Accrued expenses		55,117
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,134,097

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments, net	\$	(6,088,413)
Liquidation of investments		4,765,000
Acquisition of capital assets		(297,919)
		<hr/>
NET CASH USED BY INVESTING ACTIVITIES		(1,621,332)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on loan payable		<hr/> (133,492)
Net decrease in cash		(620,727)
CASH AND CASH EQUIVALENTS - July 1, 2024		<hr/> 1,107,953
CASH AND CASH EQUIVALENTS - June 30, 2025	\$	<hr/><hr/>487,226

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Schedule of Functional Expenses
For the year ended June 30, 2025

	Shelter and Support	Thrift Store	Administrative	Development	Total
Accounting - payroll	\$ -	\$ 5,816	\$ 19,137	\$ -	24,953
Advertising	-	655	-	-	655
Auto	16,069	1,302	195	962	18,528
Bank charges	-	26,866	40,665	-	67,531
Computer	44,923	3,665	16,712	28,142	93,442
First Fruits - GIK (Notes 1 and 6)	1,237,723	-	-	-	1,237,723
First Fruits - cash (Note 6)	10,000	-	-	-	10,000
Depreciation and amortization	295,947	-	-	-	295,947
Direct mail	88,707	-	-	92,206	180,913
Donated items used (Note 6)	263,274	-	-	-	263,274
Donor acquisition/appreciation	6,803	-	-	23,944	30,747
Drug testing	6,530	-	-	-	6,530
Dues and subscriptions	256	-	2,054	3,987	6,297
Events	24,465	-	-	31,655	56,120
Health and safety	1,757	1,200	-	-	2,957
Insurance - medical	71,967	15,914	30,997	8,619	127,497
Insurance - other	107,054	22,021	13,037	741	142,853
Interest (Note 7)	-	-	14,608	-	14,608
Leases including CAM charges	19,625	162,785	3,146	-	185,556
Miscellaneous expense	30,555	-	-	-	30,555
Postage and printing	-	-	505	7,886	8,391
Professional fees	34,154	3,007	14,729	79,358	131,248
Repairs and maintenance	132,829	1,071	6,831	-	140,731
Resident services	26,302	-	-	-	26,302
Salaries and benefits	1,760,123	461,905	293,367	108,899	2,624,294
Staff development	16,123	2,378	3,457	1,679	23,637
Supplies	44,873	9,150	1,084	132	55,239
Taxes - payroll	139,533	33,788	22,754	6,384	202,459
Taxes - other	11,972	-	-	-	11,972
Telephone	38,675	7,578	6,212	1,688	54,153
Thank you letters	1,323	-	-	2,785	4,108
Trash	17,797	18,167	-	-	35,964
Travel	3,726	-	-	-	3,726
Utilities - gas & electric	54,317	11,016	8,184	-	73,517
Utilities - water	29,349	1,538	3,757	-	34,644
Volunteer appreciation	490	-	-	-	490
Totals	\$ 4,537,241	\$ 789,822	\$ 501,431	\$ 399,067	\$ 6,227,561

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2025

NOTE 1 – Nature of Organization

Not-for-profit activity

Shepherd's Gate, Inc. is a not-for-profit religious California corporation founded in 1984. Shepherd's Gate exists to meet the physical, spiritual, and emotional needs of women and their children suffering from homelessness, addiction, trafficking, poverty, and domestic violence through the love of Jesus while equipping them to rebuild their lives with a foundation of Christian faith, personal stability and healing for the whole family.

Program services of Shepherd's Gate consist of the following:

Services and support - Shepherd's Gate provides housing, food, clothing and a complete continuum of support services for battered and homeless women and their children for up to 18 months. Shepherd's Gate offers an individual program plan in which services may include immediate assessment of needs such as drug/alcohol recovery, counseling for domestic violence, reunification with children, structured childcare program, support with legal and medical issues, life training skills such as parenting classes and financial management, career training and job placement, and permanent housing placement. Current facilities allow for up to 93 women and children at one time.

Shepherd's Gate also offers a free off-site case management program for women that are unable to live onsite or are trapped in a domestic violence situation. This program allows Shepherd's Gate staff to immediately help women with resources and services.

New Life Store – Shepherd's Gate operates a 5,000 square-foot thrift store and donation center called the New Life Store. Gift-in-kind donations of furniture, clothing and household goods are received for resale. Proceeds provide financial support for the programs and services provided by Shepherd's Gate, as well as volunteer opportunities for program participants.

First Fruits – The First Fruits program provides resources to assist other groups and individuals who are involved in ministry programs that are aligned with Shepherd's Gate's mission. The ministry believes that it is called to follow Biblical stewardship principles to share their resources to serve the poor. Shepherd's Gate contributes a portion of gift-in-kind donations (food, clothing, hygiene products, baby items, blankets, household items, etc.) and unrestricted monetary contributions to eligible recipients that serve those in need.

Income taxes and exempt status

Shepherd's Gate is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Shepherd's Gate is also exempt from state franchise or income tax under Section 23701d. Accordingly, the accompanying financial statements of Shepherd's Gate do not reflect any liability for income taxes. Contributions to Shepherd's Gate are tax deductible within the limits of prescribed law. The Organization is not considered a private foundation.

NOTE 2 – Summary of significant accounting policies

Basis of Presentation

The accompanying financial statements and notes have been prepared in accordance with accounting principles accepted in the United States of America (US GAAP).

Classification and Reporting of Net Assets

The financial statements of Shepherd’s Gate have been prepared on the accrual basis of accounting. Revenue, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired.

Board Restricted – Net assets that have been restricted by Board of Directors actions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that permit Shepherd’s Gate to use or expend the donated assets as specified by either the passage of time or by actions of Shepherd’s Gate.

Cash and Cash Equivalents

All highly-liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents, excluding amounts held in investments. Cash in bank deposit accounts may exceed federally insured limits. Shepherd’s Gate has not experienced any losses in such accounts, and management believes cash in excess of insured limits is not at any significant risk of loss.

Support, Revenue and Expenses

Contribution income is recorded when cash is received or when ownership of donated assets is transferred. Bequests are recorded as income at the time Shepherd’s Gate has an established right to the bequest and the proceeds are measurable. Shepherd’s Gate policy is that bequests are measurable when actual proceeds are received. Expenses are recorded when incurred in accordance with the accrual basis of accounting

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2025

NOTE 2 – Summary of significant accounting policies (continued)

Donated Services

Donated services are recorded at fair value at the date of contribution only if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2025, there were no contributed services meeting the requirements for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of their time in Shepherd's Gate program services and its fundraising efforts which have not been included in these financial statements.

Leases

Shepherd's Gate recognizes and measures its leases in accordance with FASB ASC 842, Leases. Shepherd's Gate is a lessee in a noncancellable operating lease used to operate its New Life Store. Shepherd's Gate determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Shepherd's Gate recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise Shepherd's Gate uses its incremental borrowing rate. The implicit rates of their leases are not readily determinable and accordingly, they use their incremental borrowing rate based on the information available at the commencement date for all leases. Shepherd's Gate's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments). Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Allocation of Expenses

The costs of providing the various and supporting activities of Shepherd's Gate have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting activities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – Summary of significant accounting policies (continued)

Property, Equipment, Depreciation, and Amortization

Shepherd's Gate capitalizes all property and equipment in excess of \$5,000. Expenditures for property and equipment are capitalized at cost. Donated assets to be used by the organization are capitalized at their fair market value on the date of the gift. Depreciation of all property and equipment is computed using the straight-line and accelerated methods over the following estimated useful lives of the assets:

Building and improvements	5 – 40 years
Furniture and fixtures	5 – 10 years
Machinery and equipment	5 – 10 years
Vehicles	5 years

NOTE 3 – Property and Equipment

Property and Equipment consists of the following at June 30, 2025:

Land	\$ 820,000
Buildings and improvements	10,349,199
Furniture and fixtures	212,260
Machinery and equipment	374,562
Vehicles	<u>137,352</u>
Sub-total	\$ 11,893,373
Accumulated depreciation and amortization	<u>5,204,860</u>
Total	<u>\$ 6,688,513</u>

Construction in progress

Construction in progress consists of Phase II of a three-phase construction project started during the fiscal year ended June 30, 2020 of an expansion of the Brentwood location.

Phase I of this project was completed in May of 2022 and included over 900 square feet dedicated to an onsite learning and career center, after school classroom, a therapy meeting room, and an additional case management office.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2025

NOTE 3 – Property and Equipment (continued)

Phase II is anticipated to be completed occupancy in October of 2025 and includes a large food pantry and three transitional housing units each having two bedrooms and one bathroom. This expansion will also free space in the main house building increasing the capacity for additional women and children.

Phases III is an onsite playground and was completed in June of 2024.

This expansion of the Brentwood facilities for all of Phases I, II, and III will be completed without any government grants, government loans (including and loan from the Small Business Administration (SBA), or any other government funds of any kind. It will be fully paid for at completion 100% from private grants and gifts from organizations, businesses and individuals.

NOTE 4 – Retirement Plan

Shepherd's Gate has established a retirement program available to all employees. The program provides for Shepherd's Gate to match employees' contributions up to 2.5% of salaries. Amounts contributed to the program are vested by the employees immediately. Contributions to the program were \$ 36,140 for the year ended June 30, 2025.

NOTE 5 – Operating Lease / Right of Use Asset / Lease Obligations / Lease Expense

Building Lease:

Shepherd's Gate entered into a five year lease for facilities beginning in September of 2016, used to operate their New Life Store. This lease provides for the base rent plus common area maintenance costs. These common area maintenance costs will not increase by more than 3% per year. The lease also allows for two five-year renewal periods. As of June 30, 2025, the base lease cost was \$10,860 per month. Shepherd's Gate has exercised the first of two five-year options.

Shepherd's Gate has obligations as a lessee for this commercial space with initial noncancelable terms in excess of one year. Shepherd's Gate classified this lease as an operating lease. This lease contains renewal options each with a period of five years. Because Shepherd's Gate is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. Shepherd's Gate's lease does not include termination options for either party to the lease or restrictive financial or other covenants. Shepherd's Gate's lease requires it to make variable payments for Shepherd's Gate's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2025

NOTE 5 – Operating Lease / Right of Use Asset / Lease Liability / Lease Expense (continued)

Amounts reported in the balance sheet as of June 30, 2025 for these operating leases were as follows:

ROU asset	\$ 171,138
Lease liability	\$ 171,138

Supplemental cash flow information:

Building lease: Cash paid for the fiscal year ended June 30, 2025 for amounts included in the measurement of this lease liability and for the reduction in the ROU asset was \$129,688.

This lease has a remaining lease term as of June 30, 2025 of 14 months and has an imputed interest rate of 5%.

Equipment lease: In June of 2023 Shepherd's Gate signed a five-year lease for office copiers for \$723 per month.

Cash paid for the fiscal year ended June 30, 2025 for amounts included in the measurement of this lease liability and for the reduction in the ROU asset was \$8,676.

This lease has a remaining lease term as of June 30, 2025 of 48 months and has an imputed interest rate of 5%.

Summary of lease maturities: Maturities of lease liabilities under these noncancelable operating leases using the imputed interest rate or financing cost as of June 30, 2025 are as follows:

June 30, 2026	\$ 142,256
June 30, 2027	31,048
June 30, 2028	<u>8,676</u>
Total undiscounted lease payments	\$ 181,980
Less imputed interest	<u>10,842</u>
Total lease liability	<u>\$ 171,138</u>

Lease Expense: Total lease expense for the year ended June 30, 2025 consisted of the following:

Right of use asset amortization	\$ 131,163
Imputed interest on lease liability	<u>7,201</u>
Total undiscounted lease payments	<u>\$ 138,364</u>

SHEPHERD’S GATE
Notes to Financial Statements
June 30, 2025

NOTE 6 – Gifts in Kind / First Fruits / Inventory

Gifts in Kind

During the fiscal year ended June 30, 2025, Shepherd’s Gate received gifts-in-kind from many different donors in the form of food, clothing, furniture, vehicles and other items valued at \$2,549,246. The gifts were valued based on the prices for similar types of new and used goods at June 30, 2025. Of these donated items some were used in the ministry, while some were sold in Shepherd’s Gate New Life Store, with the balance of the goods distributed to individuals in need.

Food and household items used in the ministry	\$ 263,274
Items sold in the New Life Store	956,565
First Fruits – Gifts in Kind	1,228,732
Donated labor and materials for Brentwood Expansion	91,684
Vehicles received by Shepherd’s Gate and donated to individuals in need	<u>8,991</u>
Total	<u>\$ 2,549,246</u>

First Fruits

First Fruits consisted of contributions of gifts-in-kind of \$1,228,732 of goods and the contribution of a vehicle valued at \$8,991 all donated to Shepherd’s Gate which were subsequently distributed to individuals and organizations in need, in addition to \$10,000 in cash donations to other eligible recipients.

Inventory

Inventory at June 30, 2025 consists solely of donated goods held for sale in the New Life Store and is based on thrift store value.

NOTE 7 – Statement of Cash Flows

Interest paid for the year ended June 30, 2025 was \$14,608. There was no material accrued interest at June 30, 2025.

SHEPHERD'S GATE
Notes to Financial Statements
June 30, 2025

NOTE 8 – Loan Payable

In December of 2019 Shepherd's Gate refinanced their existing loan into a new commercial mortgage in the amount of \$1,270,000. The loan payment is amortized over 25 years, all due and payable in December 2029. The note calls for fixed monthly payments of \$6,816 with interest at a fixed rate of 4.1% per year. The future principal payments for this loan as of June 30, 2025 are as follows:

June 30, 2026	\$ 72,086
June 30, 2027	75,097
June 30, 2028	78,235
June 30, 2029	<u>44,197</u>
Total	<u>\$ 269,615</u>

The principal payments made during the fiscal year ended June 30, 2025 were \$133,492.

NOTE 9 – New Life Store

Cash flow from New Life Store operations for the year ended June 30, 2025 were as follows:

Cash inflow	\$ 956,565
Cash expenditures	<u>789,823</u>
Net cash flow	<u>\$ 166,742</u>

See Note 1 for a description of the New Life Store's operations.

NOTE 10 – Net Assets With Donor Restrictions

Shepherd's Gate has received several donations restricting the use to various projects related to the continuum of support services for battered and homeless women and their children. As of June 30, 2025, the total of these unused donor restricted funds was \$611,336. This included \$123,805 for the expansion of the Brentwood facilities.

During the fiscal year ended June 30, 2025, assets totaling \$243,785 were released from restrictions.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2025

NOTE 11 - Liquidity and Availability of Resources

As explained in Note 10, Shepherd's Gate has received some donations that require they be used in a specific manner or for a specific purpose. As a result, Shepherd's Gate has \$611,336 of investments that are included in net assets with donor restrictions that must be held to meet these donor commitments. These funds are not available for general expenditures in future periods.

Shepherd's Gate has the following unrestricted financial assets available to meet cash needs for general expenditures, liabilities, and other obligations during the next fiscal year:

Cash and cash equivalents	\$ 487,226
Investments without donor restrictions	<u>4,263,664</u>
Net financial assets available	<u>\$ 4,750,890</u>

Shepherd's Gate's liquidity management includes a policy to structure its financial assets to be available for general expenditures as they come due.

NOTE 12 – Board Designated Funds

In addition to the assets reported in Note 11, \$3,040,000 of investments have been designated by the board of directors for the following as of June 30, 2025:

Operating reserves	\$ 2,000,000
Facilities reserves	750,000
Brentwood expansion	250,000
New Life Store reserves	<u>40,000</u>
Total	<u>\$ 3,040,000</u>

These funds are invested primarily in treasuries which have terms of longer than 90 days and are therefore included in Investments on the Balance Sheet.

NOTE 13 – Investments

Investments consist solely of Treasuries with original maturities longer than 90 days carried at fair value and are intended to provide income for the Shepherd's Gate's programs and building expansion plans. The fair value of these investments have been measured on a recurring basis and are considered Level I inputs as explained in Note 14.

NOTE 14 – Fair Value Measurement

The FASB Fair Value Measurement standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. Shepherd's Gate has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical assets. Cash, checking, savings accounts, treasuries and certificates of deposit are composed of funds invested in various institutions. Funds invested in checking, savings accounts, treasuries and certificates of deposit are valued based on the value of the deposited funds.

Money market accounts consist primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations, and other securities. Money market accounts seek to maintain a stable net asset value (NAV) of \$1.

Shepherd's Gate did not hold any Level II or III assets on June 30, 2025.

The inputs and methodology used for valuing Shepherd's Gate's financial assets and liabilities are not indicators of the risks associated with those securities.

Shepherd's Gate recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2025.

SHEPHERD'S GATE
Notes to Financial Statements
June 30, 2025

NOTE 14 – Fair Value Measurement (continued)

The following table provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2025:

Assets:	Level 1	Level 2	Level 3
Certificates of Deposit with maturity dates more than 90 days	\$ 4,875,000	\$ 0	\$ 0
Cash and cash equivalents with maturity dates 90 days or less	\$ 487,226	\$ 0	\$ 0

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Shepherd's Gate believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

NOTE 15 – Subsequent Events

In preparing financial statements, Shepherd's Gate has evaluated events and transactions for potential recognition or disclosure thru August 19, 2025, the date the financial statements were available to be issued.