

SHEPHERD'S GATE

INDEPENDENT CERTIFIED AUDITOR'S REPORT

JUNE 30, 2024

SHEPHERD'S GATE

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COVINA, CALIFORNIA 91724

Independent Auditor's Report

To the Board of Directors of Shepherd's Gate:

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, 2024, 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, 2024, 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.

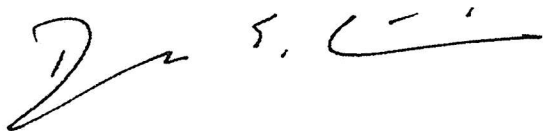
Auditor's Responsibilities for the Audit of the Financial Statements

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.



Covina, California

August 22, 2024

SHEPHERD'S GATE
Statement of Financial Position
June 30, 2024

Assets

Cash and cash equivalents (Note 2)	\$ 838,354
Cash and cash equivalents - with donor restrictions (Notes 2 and 11)	269,599
Prepaid expenses	51,081
Accrued interest income	69,474
Inventory (Note 6)	75,000
Investments (Note 14)	3,551,587
Construction in progress (Note 3)	40,381
Right of use asset (Note 5)	302,301
Property and equipment (Notes 2 and 3)	<u>6,926,423</u>
 Total assets	 <u><u>\$ 12,124,200</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 13,551
Accrued expenses	194,022
Lease obligations (Note 5)	302,301
Loan payable (Note 8)	403,107
Line of credit (Note 9)	<u>-</u>
 Total liabilities	 <u>912,981</u>

Net Assets

Net Assets without donor restrictions	10,941,620
Net Assets with donor restrictions (Note 11)	<u>269,599</u>
 Total net assets	 <u>11,211,219</u>
 Total liabilities and net assets	 <u><u>\$ 12,124,200</u></u>

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Statement of Activities
For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total All Funds
Public support:			
Grants and donations (Note 2)	\$ 3,584,955	\$ 229,478	\$ 3,814,433
Gifts in kind (Note 6)	2,056,204	-	2,056,204
Total public support	<u>5,641,159</u>	<u>229,478</u>	<u>5,870,637</u>
Revenue:			
Thrift store (Note 10)	962,847	-	962,847
Investment income	246,500	-	246,500
Total revenue	<u>1,209,347</u>	<u>-</u>	<u>1,209,347</u>
Total support and revenue	6,850,506	229,478	7,079,984
Thrift store cost of sales	<u>962,847</u>	<u>-</u>	<u>962,847</u>
Total support and net revenue before releases	5,887,659	229,478	6,117,137
Net assets released from restrictions	<u>125,995</u>	<u>(125,995)</u>	<u>-</u>
Total support and net revenue	<u>6,013,654</u>	<u>103,483</u>	<u>6,117,137</u>
Expenses			
Program services:			
Shelter and support	<u>3,934,943</u>	<u>-</u>	<u>3,934,943</u>
Program support:			
Thrift store expenses (Note 10)	766,649	-	766,649
General and administrative	463,783	-	463,783
Development	418,813	-	418,813
Total program support	<u>1,649,245</u>	<u>-</u>	<u>1,649,245</u>
Total expenses	<u>5,584,188</u>	<u>-</u>	<u>5,584,188</u>
Net surplus (deficit)	429,466	103,483	532,949
Net Assets, July 1, 2023	<u>10,512,154</u>	<u>166,116</u>	<u>10,678,270</u>
Net Assets, June 30, 2024	<u>\$ 10,941,620</u>	<u>\$ 269,599</u>	<u>\$ 11,211,219</u>

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Statement of Cash Flows (Note 7)
For the year ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Net surplus	\$	532,949
Adjustments to reconcile excess of support and revenue over expenses to cash flow from operating activities:		
Depreciation and amortization		287,067
Donation of vehicles		9,454
Increase in:		
Accrued interest income		(69,474)
Accrued expenses		29,975
Decrease in:		
Prepaid expenses		2,382
Accounts payable		(744)
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES		791,609

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in investments	\$	(901,962)
Acquisition of vehicles		(1,200)
Acquisition of equipment		(6,393)
Acquisition of building improvements		(36,147)
Acquisition of solar system		(141,649)
Increase in construction in process		(24,793)
		<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES		(1,112,144)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on loan payable		<hr/> (160,141)
Decrease in cash		(480,676)
CASH AND CASH EQUIVALENTS - July 1, 2023		<hr/> 1,588,629
CASH AND CASH EQUIVALENTS - June 30, 2024	\$	<hr/><hr/>1,107,953

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE
Schedule of Functional Expenses
For the year ended June 30, 2024

	Shelter and Support	Thrift Store	Administrative	Development	Total
Accounting - payroll	\$ -	\$ 4,672	\$ 15,150	\$ -	19,822
Auto	12,735	1,048	353	301	14,437
Bank charges	-	26,717	37,254	-	63,971
Computer	15,507	1,232	10,204	21,112	48,055
First Fruits - GIK (Notes 1 and 6)	907,319	-	-	-	907,319
First Fruits - cash (Note 6)	4,000	-	-	-	4,000
Depreciation and amortization	287,067	-	-	-	287,067
Direct mail	95,746	-	-	99,036	194,782
Donated items used (Note 6)	194,292	-	-	-	194,292
Donor acquisition/appreciation	9,266	-	-	36,610	45,876
Drug testing	7,117	-	-	-	7,117
Dues and subscriptions	-	-	2,012	3,652	5,664
Events	13,725	-	-	36,364	50,089
Health and safety	9,057	-	2,305	-	11,362
Insurance - medical	80,018	11,254	29,273	8,924	129,469
Insurance - other	87,940	13,470	9,562	624	111,596
Interest (Note 7)	-	-	19,760	-	19,760
Leases including CAM charges	19,297	157,264	3,175	-	179,736
Miscellaneous expense	979	10,488	127	437	12,031
Postage and printing	34,487	-	40	7,387	41,914
Professional fees	33,900	149	19,253	73,879	127,181
Repairs and maintenance	133,051	2,016	3,032	-	138,099
Resident services	23,262	-	-	-	23,262
Salaries and benefits	1,613,861	451,983	267,146	109,707	2,442,697
Staff development	22,543	3,744	3,671	851	30,809
Supplies	40,298	12,167	2,373	60	54,898
Taxes - payroll	131,209	34,861	22,005	6,140	194,215
Taxes - other	11,927	-	-	-	11,927
Telephone	39,096	8,643	6,053	1,846	55,638
Thank you letters	-	-	-	11,883	11,883
Trash	15,667	14,366	-	-	30,033
Travel	1,729	-	-	-	1,729
Utilities - gas & electric	68,169	11,351	7,955	-	87,475
Utilities - water	20,855	1,224	3,080	-	25,159
Volunteer appreciation	824	-	-	-	824
Totals	\$ 3,934,943	\$ 766,649	\$ 463,783	\$ 418,813	\$ 5,584,188

The accompanying notes are an integral part of these statements.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

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 and domestic violence through the love of Jesus Christ, equipping them to lead lives of faith, hope and love and to reach out to others in His name.

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.

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.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

NOTE 2 – Summary of significant accounting policies

The financial statements of Shepherd's Gate have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Shepherd's Gate is required to report information regarding its financial position and activities according to those assets without any designations or restrictions, and those with designations or restrictions. See Note 11 for information regarding assets with donor restrictions as of June 30, 2024.

Cash and Cash Equivalents

For purposes of these statements, Shepherd's Gate considers all short-term investments with original maturities of 90 days or less to be cash equivalents.

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.

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, 2024, 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

SHEPHERD’S GATE

Notes to Financial Statements

June 30, 2024

NOTE 2 – Summary of significant accounting policies (continued)

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.

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

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

NOTE 3 – Property and Equipment

Property and Equipment consists of the following at June 30, 2024:

Land	\$ 820,000
Buildings and improvements	10,349,199
Furniture and fixtures	212,261
Machinery and equipment	357,205
Vehicles	<u>96,671</u>
Sub-total	\$ 11,835,336
Accumulated depreciation and amortization	<u>4,908,913</u>
Total	<u>\$ 6,926,423</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.

Phase II is anticipated to be completed over the next two years and will include a large food pantry, and three transitional housing units each having two bedrooms and 2 bathrooms. 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.

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 immediately become the property of the employees. Contributions to the program were \$ 35,988 for the year ended June 30, 2024.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

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, 2024, the base lease cost was \$10,544 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.

Amounts reported in the balance sheet as of June 30, 2024 for these operating leases were as follows:

ROU asset	\$ 302,301
Lease liability	\$ 302,301

Supplemental cash flow information:

Building lease: Cash paid for the fiscal year ended June 30, 2024 for amounts included in the measurement of this lease liability and for the reduction in the ROU asset was \$125,914.

This lease has a remaining lease term as of June 30, 2024 of 26 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, 2024 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, 2024 of 48 months and has an imputed interest rate of 5%.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

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

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, 2024 are as follows:

June 30, 2025	\$ 138,364
June 30, 2026	142,256
June 30, 2027	31,048
June 30, 2028	<u>8,676</u>
Total undiscounted lease payments	\$ 320,344
Less imputed interest	<u>18,043</u>
Total lease liability	<u>\$ 302,301</u>

Lease Expense: Total lease expense for the year ended June 30, 2024 consisted of the following:

Right of use asset amortization	\$ 113,155
Imputed interest on lease liability	<u>21,435</u>
Total undiscounted lease payments	<u>\$ 134,590</u>

SHEPHERD’S GATE

Notes to Financial Statements

June 30, 2024

NOTE 6 – Gifts in Kind / First Fruits / Inventory

Gifts in Kind

During the fiscal year ended June 30, 2024, Shepherd’s Gate received gifts-in-kind from many different donors in the form of food, clothing, furniture, vehicles and other items valued at \$2,056,204. The gifts were valued based on the prices for similar types of new and used goods at June 30, 2024. 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	\$ 194,292
Items sold in the New Life Store	962,847
Fist Fruits – Gifts in Kind	907,319
Vehicles used in the ministry	1,200
Vehicles donated to individuals in need	<u>(9,454)</u>
Total	<u>\$ 2,056,204</u>

First Fruits

First Fruits consisted of contributions of gifts-in-kind of \$907,319 of goods donated to Shepherd’s Gate and subsequently distributed to individuals and organizations in need and \$4,000 in cash donations to other eligible recipients.

Inventory

Inventory at June 30, 2024 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, 2024 was \$18,171. Accrued interest at June 30, 2024 was \$1,101.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

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, 2024 are as follows:

June 30, 2025	\$ 66,509
June 30, 2026	69,287
June 30, 2027	72,182
June 30, 2028	75,198
June 30, 2029	78,339
Thereafter	<u>41,592</u>
Total	<u>\$ 403,107</u>

The principal payments made during the fiscal year ended June 30, 2024 were \$160,141.

NOTE 9 – Line of Credit

As of June 30, 2024 Shepherd's Gate had a \$250,000 revolving line of credit with an interest rate equal to the U.S. Prime Rate as published in the Wall Street Journal plus one-half percent with a floor of 4.0%. As of June 30, 2024, the interest rate on this line of credit was 9%. As of June 30, 2024 there was nothing outstanding on this line of credit.

NOTE 10 – New Life Store

Cash flow from New Life Store operations for the year ended June 30, 2024 were as follows:

Cash inflow	\$ 962,847
Cash expenditures	<u>766,651</u>
Net cash flow	<u>\$ 196,196</u>

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

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

NOTE 11 – Donor Restricted Cash

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, 2024, the total of these unused donor restricted funds was \$269,599. This included \$85,214 for the expansion of the Brentwood facilities.

NOTE 12 - Liquidity and Availability of Resources

As explained in Note 11, 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 \$269,599 of cash and cash equivalents 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	\$ 838,354
Principal payments due on lease obligations	(135,246)
Principal payments due on loan payable	<u>(66,509)</u>
Net financial assets available	<u>\$ 636,599</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 13 – Board Designated Funds

In addition to the assets reported in Note 12, the board of Shepherd's Gate has designated \$2,293,182 of cash to be restricted composed of the following as of June 30, 2024:

Operating reserves	\$ 1,500,000
Facilities reserves	500,000
Brentwood expansion	250,000
New Life Store reserves	40,000
40 th Anniversary Celebration	<u>3,182</u>
Total	<u>\$ 2,293,182</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.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

NOTE 14 – Investments

Investments consist solely of Certificates of Deposits and 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 15.

NOTE 15 – 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 2 or 3 assets on June 30, 2024.

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, 2024.

SHEPHERD'S GATE

Notes to Financial Statements

June 30, 2024

NOTE 15 – 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, 2024:

Assets:	Level 1	Level 2	Level 3
Certificates of Deposit with maturity dates longer than 90 days	\$ 3,551,587	\$ 0	\$ 0
Cash and cash equivalents with maturity dates 90 days or less	\$ 1,107,953	\$ 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 16 – Subsequent Events

In preparing financial statements, Shepherd's Gate has evaluated events and transactions for potential recognition or disclosure thru August 22, 2024.

NOTE 17 – Concentration of Risk

The organization has cash deposits which exceed FDIC limits. However, management believes that the concentration of credit risk is low due to the quality of the financial institutions holding these funds.