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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Shepherd Higher Education Consortium on Poverty
452A Lewis Hall, Washington and Lee Law School
Lexington, VA. 24450

We have audited the accompanying financial statements of Shepherd Higher Education Consortium on Poverty (a nonprofit organization) and the accompanying supplementary information, which comprise the statement of financial position as of August 31, 2018, and the related statements of activities 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.

Auditor's 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 auditor's 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 Shepherd Higher Education Consortium on Poverty as of August 31, 2018, 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.

A handwritten signature in black ink that reads "Moran Audit + Financial Consulting, Inc." The signature is written in a cursive, flowing style.

Moran Audit and Financial Consulting, Inc.
Haymarket, Virginia
November 21, 2018

Shepherd Higher Education Consortium on Poverty
Statement of Financial Position
At August 31, 2018

ASSETS

Current Assets

Cash (unrestricted)	\$ 470,808.58
Accounts Receivable	\$ 47,700.00

Other Current Assets

Unbilled Receivables	\$ 15.23
Prepaid Insurance	<u>\$ 3,629.33</u>

Total Current Assets \$ 522,153.14

Security Deposits \$ 6,400.00

Total Assets \$ 528,553.14

Liabilities and Net Assets

Current Liabilities

Accounts Payable \$ 11,318.90

Other Current Liabilities

Deferred Dues	\$ 115,000.00
Payroll Taxes	\$ 16,000.00
Taxes	\$ (0.02)
NYS Employment Taxes	\$ 174.94
VA Income Taxes	\$ (0.08)
Accrued Expenses	\$ 987.00

Total Current Liabilities \$ 143,480.74

Total Liabilities \$ 143,480.74

See Notes to the Financial Statements

Net Assets	
Unrestricted Net Assets	\$ 112,115.48
Change in Net Assets	<u>\$ 272,956.92</u>
Total Net Assets	<u>\$ 385,072.40</u>
Total Liabilities and Net Assets	<u>\$ 528,553.14</u>

See Notes to the Financial Statements

Shepherd Higher Education Consortium on Poverty
Statement of Activity
For the Fiscal Year Ended August 31, 2018

Unrestricted Net Assets

Unrestricted Revenue and Gains

Membership Dues	\$ 110,000.00
Foundation General Ops	\$ 584,902.02
Unsolicited, Unrestricted Contributions	\$ 14,141.45
Beckley Campaign Solicited, Unrestricted	\$ 57,000.00
Fall Campaign	\$ 23,329.19
Internship Operations Rev.	\$ 246,150.00
In Kind Revenue	\$ 254,284.00
Other Income	<u>\$ 1,095.03</u>

Total Unrestricted Revenues, Gains and Other Support \$ 1,290,901.69

Expenses:

Program Expenses	\$ 868,816.93
Management Expenses	\$ 58,823.94
Fundraising Expenses	<u>\$ 90,303.91</u>

Total Expenses \$ 1,017,944.78

Change in Net Assets \$ 272,956.91

See notes to the Financial statement

Shepherd Higher Education Consortium on Poverty
Statement of Cash Flows
For the Fiscal Year ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net Revenue	\$ 272,956.91
Adjustments to reconcile net income to Net cash provided by operating activities:	
(Increase)/Decrease in current assets	
Accounts Receivable	\$ (32,700.00)
Unbilled Receivables	\$ (15.22)
Prepaid Insurance	\$ (1,386.33)
Security Deposits	\$ (6,400.00)
Increase/(Decrease) in current liabilities	
Accounts Payable	\$ 10,997.30
Deferred Dues	\$ 15,000.00
Accrued Expenses	\$ 987.00
Payroll Liabilities	<u>\$ 12,965.46</u>
Net Cash Provided by Operating Activities	<u>\$ 272,405.12</u>
Net Cash Used In Investing Activities	\$ -
Net Provided/(Used) in Financing Activities	\$ -
Net Increase/(Decrease) in Cash	\$ 272,405.12
Beginning Cash Balance	<u>\$ 198,403.46</u>
Ending Cash Balance	<u><u>\$ 470,808.58</u></u>

See Notes to the Financial Statements

Shepherd Higher Education Consortium on Poverty
Notes to the Financial Statements
At and For the Fiscal Year ended August 31, 2018

Note A: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Shepherd Higher Education Consortium on Poverty (SHECP), is a 501(c) nonprofit promoting poverty studies programs at under graduate and professional schools. SHECP's purpose is to support a collaborative summer internship integrated with course-work; work to cooperatively address member schools' programs of study; and enable, community engagement opportunities during the academic year. This allows the Consortium to maintain and advance an interdisciplinary program of study with the purpose of enriching, but not replacing, multiple student majors with a principally liberal arts preparation for the myriad of different professional and civic vocations. In the end we believe our efforts increases the knowledge of healthcare professionals, lawyers, businesspersons, educators, ministers, and community development specialists, as well as public policy experts and social workers, whose collective efforts impinge on poverty.

SHECP began in 1998 as the "Shepherd Poverty Alliance," a poverty studies program founded by Washington & Lee University (W&L) and allied with Berea College and Spelman College in a summer internship for 25-30 students during its early years. Ten years later SHECP supported over 130 interns working within nearly that many nonprofit and government agencies addressing poverty during the 2018 Internship Season. Today, the Consortium's joint activities include a joint internship program (a collaborative, eight-week summer program with student conferences); major program events such as a symposium on teaching poverty in undergraduate and professional education; practice meetings including workshops for faculty and staff of Consortium schools; a web-based portal for networking and disseminating information.

By working together to strengthen our programs and inviting others to join us, we intend to create a national movement that will lead to thousands of graduates each year informed about the causes and remedies of poverty and ready to diminish it through their professional, civic, and political engagement. It enhances the opportunity to increase the number of citizens informed and committed to diminishing poverty through their work and civic activity.

CASH AND CASH EQUIVALENTS

For purposes of the statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balance in a bank. These balances are insured by the Federal Deposit Insurance Corporation. As of August 31, 2018, the uninsured portion of this balance was \$250,959. All cash balances at 8/31/2018 are unrestricted.

INCOME TAX STATUS:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation.

COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Note B: ASSETS OTHER THAN CASH

Accounts Receivable is the major asset other than Cash. *A/R* is typically Dues Receivable from member colleges/universities.

Note C: LIABILITIES

The primary liabilities are Deferred Dues and Payroll liabilities. Deferred dues represent collections in advance of the fiscal year (September 1, 2018 to August 31, 2019) and Payroll liabilities represent liabilities that have not been remitted to the various Governments.

Note D: TEMPORARILY RESTRICTED NET ASSETS

The firm has no restricted net assets. However, the firm received contributions that are restricted to a certain purpose or geographic area. These funds are consumed each year. Therefore, there are no restricted assets at August 31, 2018.

Note E: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 21, 2018, which is the date the financial statements were available to be issued.

Note F: USE OF ESTIMATES

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

Note G: VALUATION OF ASSETS:

Assets and Liabilities are valued at cost, which is believed to equal Fair Market Value.

Note H: FUNCTIONAL EXPENSES

The functional costs of providing various programs and supporting services are summarized on a functional basis in the supplementary information attached. Accordingly, these costs are allocated by management based on the functional amount of labor used in areas with cross

allocation, or in areas that are clearly one functional area or a combination of two, a reasonable estimate was made based on operational and labor considerations.

Note I: IN-KIND EXPENSES

In-kind expenses consist of the following:

Council Members	\$95,616
Payment of Training expenses directly	16,320
Office space and access to computers	10,848
IT support	3,000
Faculty counselors/coordinators	<u>128,500</u>
Total In-Kind	<u>\$254,284</u>

SHECP receives donated services which are instrumental and central to SHECP's operations. SHECP relies heavily upon our Council Members to provide training and support in poverty studies and SHECP school year work at their home institutions. We have based this upon an average salary of professors by the number of schools and hours per annum to equate to \$95,616.

Two SHECP member schools pay their students directly rather than through SHECP in order to accomplish the summer programming goals. This program year there were 20 students subject to this in-kind support equating to \$16,320

Washington & Lee University provides a full office, IT support, and other services to our main office in Lexington VA. Based on fair market value in the region the estimated in-kind support is \$10,848.

Kappa Alpha provides our development officer office space and IT support which is estimated to be worth \$3,000 per annum based on fair market value in the region. This expense is strictly fundraising in nature.

SHECP is provided with a significant amount of support from faculty coordinators from individual consortium member schools for internship program summer operations. This includes direct support for logistics and training in preparation for the internship program and routine monitoring of students in the field. Based on historical analysis this is equal to approximately \$1,000 per student in the field or \$128,500 for the past year interns.

Supplementary Information

**Shepherd Higher Education Consortium on Poverty
Schedule of Functional Expenses
For the Fiscal Year Ended August 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>			
	<u>Program</u>		<u>Management</u>	<u>Fundraising</u>				
Office Expenses	\$	3,164.85	\$	659.34	\$	1,450.56	\$	5,274.75
Banking Fees		-		1,465.70		-		1,465.70
Website		1,465.94		305.41		671.89		2,443.24
Communications and Publicity		2,545.73		530.36		1,166.79		4,242.88
Legal		-		1,594.00		-		1,594.00
Accounting		2,247.75		468.28		1,030.22		3,746.25
Governing Board		9,090.68		9,090.68		-		18,181.36
Compensation		172,980.35		36,037.57		79,282.66		288,300.58
Internship Expenses		300,982.50		-		-		300,982.50
Development		-		-		2,796.85		2,796.85
Consultation		20,376.87		-		-		20,376.87
Symposia		62,703.84		-		-		62,703.84
In Kind Expenses		251,284.00		-		3,000.00		254,284.00
Executive Director Search		-		8,261.26		-		8,261.26
Millsaps Academic Director Contract		40,000.00		-		-		40,000.00
Insurance		1,846.46		384.68		846.29		3,077.43
Miscellaneous Expenses		127.96		26.66		58.65		213.27
Total Expenses	\$	868,816.93	\$	58,823.94	\$	90,303.91	\$	1,017,944.78