

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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Independent Auditor's Report

To the Board of Directors of
The Shepherd's Call, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Shepherd's Call, Inc. d/b/a Dawson McAllister Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

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 The Shepherd's Call, Inc. d/b/a Dawson McAllister Association as of December 31, 2018, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
July 16, 2019

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

Assets

Cash	\$ 373,863
Property and equipment, net	<u>2,506,752</u>
Total assets	<u><u>\$ 2,880,615</u></u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued liabilities	\$ 56,587
Employee benevolence	3,944
Note payable, net of debt issuance costs of \$12,524	<u>2,272,158</u>
Total liabilities	<u>2,332,689</u>
Net assets	
Without donor restrictions	469,544
With donor restrictions	<u>78,382</u>
Total net assets	<u>547,926</u>
Total liabilities and net assets	<u><u>\$ 2,880,615</u></u>

See accompanying notes to financial statements.

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,684,668	\$ 90,000	\$ 1,774,668
In-kind contributions	6,214	-	6,214
Rental loss, net of expenses	(11,908)	-	(11,908)
Interest income	415	-	415
Other income	2,068	-	2,068
Net assets released from restrictions	36,618	(36,618)	-
Total support and revenues	<u>1,718,075</u>	<u>53,382</u>	<u>1,771,457</u>
Expenses			
Program services			
Radio production and on-line programing	478,463	-	478,463
Digital rescue resources	369,883	-	369,883
One-on-one live chat	288,409	-	288,409
Total program services	<u>1,136,755</u>	<u>-</u>	<u>1,136,755</u>
Supporting services			
Management and general	62,729	-	62,729
Fundraising	217,280	-	217,280
Total supporting services	<u>280,009</u>	<u>-</u>	<u>280,009</u>
Total expenses	<u>1,416,764</u>	<u>-</u>	<u>1,416,764</u>
Change in net assets	301,311	53,382	354,693
Net assets, beginning of year	<u>168,233</u>	<u>25,000</u>	<u>193,233</u>
Net assets, end of year	<u>\$ 469,544</u>	<u>\$ 78,382</u>	<u>\$ 547,926</u>

See accompanying notes to financial statements.

THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	Radio Production and On-Line Programming	Digital Rescue Resources	One-on-One Live Chat	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Accounting fees	\$ 5,910	\$ 5,910	\$ 5,910	\$ 17,730	\$ 29,248	\$ 12,900	\$ 42,148	\$ 59,878
Business registrations and taxes	-	-	-	-	164	7,414	7,578	7,578
Communications	22,207	15,159	10,191	47,557	1,799	1,800	3,599	51,156
Depreciation	16,098	11,184	7,721	35,003	692	-	692	35,695
Development support	18,698	18,699	18,698	56,095	-	56,095	56,095	112,190
Employee travel	-	953	193	1,146	1,238	4,331	5,569	6,715
Facilities expense	23,965	16,650	11,494	52,109	1,032	-	1,032	53,141
Gifts and donations	-	-	-	-	125	326	451	451
In-kind	1,308	1,197	1,073	3,578	58	2,578	2,636	6,214
Insurance	-	-	17,087	17,087	-	-	-	17,087
Interest	2,847	1,371	1,007	5,225	121	938	1,059	6,284
Meetings expense	371	179	131	681	16	122	138	819
Merchant fees	-	-	-	-	169	4,020	4,189	4,189
Promotion	1,475	-	-	1,475	-	-	-	1,475
Other expense	1,395	751	2,557	4,703	716	459	1,175	5,878
Salaries and payroll taxes	308,541	202,689	127,977	639,207	14,941	114,688	129,629	768,836
Payroll fees	1,044	503	369	1,916	45	344	389	2,305
Postage and shipping	2,302	1,108	814	4,224	100	758	858	5,082
Printing and reproduction	1,602	771	567	2,940	69	528	597	3,537
Radio production and syndication expenses	17,608	657	-	18,265	-	-	-	18,265
Rescue support	-	4,479	35,117	39,596	-	-	-	39,596
Supplies	291	1,472	150	1,913	1,562	548	2,110	4,023
Technology support	52,801	40,316	26,367	119,484	6,591	6,784	13,375	132,859
Utilities	-	-	-	-	4,043	-	4,043	4,043
Website support	-	45,835	20,986	66,821	-	2,647	2,647	69,468
Total expenses	\$ 478,463	\$ 369,883	\$ 288,409	\$ 1,136,755	\$ 62,729	\$ 217,280	\$ 280,009	\$ 1,416,764

See accompanying notes to financial statements.

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities	
Change in net assets	\$ 354,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	108,437
Loss on sale of equipment	1,122
Changes in operating assets and liabilities	
Accounts payable and accrued liabilities	(2,502)
Employee benevolence	<u>(1,653)</u>
Net cash provided by operating activities	<u>460,097</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(33,179)</u>
Net cash used by investing activities	<u>(33,179)</u>
Cash flows from financing activities	
Principal payments on notes payable	(73,173)
Net payments on line of credit	<u>(146,547)</u>
Net cash used by financing activities	<u>(219,720)</u>
Net increase in cash and cash equivalents	207,198
Cash, beginning of year	<u>166,665</u>
Cash, end of year	<u><u>\$ 373,863</u></u>
Supplemental disclosures of cash flow information	
Cash payments for interest	<u><u>\$ 112,639</u></u>

See accompanying notes to financial statements.

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 - NATURE OF ACTIVITIES

The Shepherd's Call, Inc. d/b/a Dawson McAllister Association (the Organization) is incorporated as a nonprofit organization whose purpose is to coach young people through crisis to Christ. This mission is accomplished through a proven process known as Reach, Rescue, Restore. Reach means to share clear thinking and right values. Rescue means providing emotional and spiritual triage during chaotic or crisis situations. Restore means connecting those who hurt with those who can help, both inside the Organization and through a network of vetted partners. This process is accomplished through media of all types which are primarily served from the Organization's proprietary web-based platform. The core demographic is thirteen to twenty-nine years old. The audience is approximately 65% domestic and 35% international.

The programs through which the Organization provides its services are as follows:

Radio Production and On-Line Programming

During 2018, the Organization provided live and pre-recorded content via their website, www.thehopeline.com, and their streaming channels. The live programming includes a weekly call-in talk show where Dawson coaches teenagers and young adults through questions and crises in their lives. It also includes a live social media webcast on Facebook, Instagram and YouTube. The show is produced four times a week and offers prayer and coaching to listeners. In addition, the Organization produces a regular podcast, archived and streaming replays of the weekly call-in show, and other audio content produced to insert in the plethora of typical blogs to enhance impact.

Digital Rescue Resources

In 2018, a significant investment was made to remodel and relaunch the Organization's website, www.thehopeline.com, which became the core platform from which most of the program resources are accessed, including the radio production and on-line programming described above. This investment was undertaken to improve function for the user and, more urgently, to respond to Google's major algorithm changes and the requirement to improve load speed. Average monthly site traffic was 26.9% higher in the five months after implementation than in the seven months prior. 2,684,386 young people accessed resources on this site during the year. Resources available on this site include hundreds of blogs covering fifty-five separate topics, twenty-seven eBooks, and true stories of hope for those who are struggling to find it. Special attention was paid to developing ranked key words to improve organic search. By year-end more than 1,450 key words were ranked.

One-on-One Live Chat (formerly known as TheHopeLine)

Live Chat interactions are taken by paid HopeCoaches who are trained and evaluated on a regular basis for effectiveness. Live Chat was relaunched in 2018 with new leadership and funded from gifts restricted for use to this program. It was staffed with an average of eighty HopeCoach hours per week. Each one-on-one interaction included referrals to one or more vetted partners who offer targeted service or relevant information for specific issues. The Organization has more than twenty-five of these partnerships. HopeCoaches answered 67.5% of all chats attempted in 2018, including the completion of 1,362 suicide interventions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

Contributions received are recorded to net assets depending on the existence and/or nature of any donor-imposed restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, (Continued)
DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Pledges Receivable

When a donor has unconditionally promised to contribute funds in future periods, the Organization recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows. There were no pledges receivable at December 31, 2018.

Donated Service

Unpaid volunteers make contribution of time in various administrative and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement of valuation.

In-Kind Donations

Contributions of donated non-cash assets are recorded at the fair values in the period received. Corresponding expenses are included in the statement of functional expenses.

Property and Equipment

Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is expensed as incurred. Depreciation is computed generally using the straight-line method over estimated useful lives as follows:

Buildings and Improvements	20 - 39 years
Furniture and Fixtures	5 - 7 years
Equipment	5 - 7 years

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, management and general, and fundraising expenses benefited. Such allocations are determined by management on an equitable basis. Office lease and utilities are allocated by square footage, while all other expenses are allocated based on time and effort.

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize compensated absences when actually paid to employees.

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 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 these estimates.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. However, income unrelated to the Organization's exempt purpose is subject to state and federal taxes. The rental income the Organization receives is subject to taxation as unrelated business income (UBI). The Organization did not have any material unrelated business income tax liability or expense for the year ended December 31, 2018. With few exceptions, the Organization is no longer subject to U.S. Federal, state, or local income tax examinations by authorities for years before December 31, 2015.

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, (Continued)
DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the requirement of reporting expenses by both their natural and functional classification, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:	
Cash	\$ 373,863
Less amounts not available to be used within one year:	
Restricted by donor for specific purpose	<u>78,382</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 295,481</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of December 31, 2018 are as follows:

Accounts payable	\$ 34,253
Unearned rent	3,709
Credit cards payable	6,154
Tenant security deposits	<u>12,471</u>
	<u>\$ 56,587</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consisted of the following:

Property and equipment	
Land	\$ 152,600
Buildings and improvements	3,419,355
Furniture and fixtures	30,694
Equipment	<u>166,194</u>
	3,768,843
Accumulated depreciation	<u>(1,262,091)</u>
Property and equipment, net	<u>\$ 2,506,752</u>

Depreciation expense for the year ended December 31, 2018 totaled \$108,437, of which \$72,742 is included in rental loss, net of expenses in the statement of activities as described in Note 9.

**THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, (Continued)
DECEMBER 31, 2018**

NOTE 6 - LINE OF CREDIT

The Organization has a \$170,000 line of credit with a local bank with no outstanding balance at December 31, 2018. Interest is based on the Wall Street Journal Prime Rate plus 2%. Interest-only payments are due each month, and any outstanding principal and interest are due December 4, 2019. The line of credit is collateralized by the Organization's accounts and contract rights, real estate owned, and through an assignment of leases and rents.

NOTE 7 - NOTE PAYABLE

Note payable as of December 31, 2018 is as follows:

Note payable due to a local bank requiring 59 monthly payments of \$15,276, including principal and interest at 4.48%, secured by real estate, with the final balance due on May 15, 2022. The note payable is collateralized by real estate and is personally guaranteed by a key executive of the Organization.

Less current portion

\$ 2,272,158

(78,945)

\$ 2,193,213

Future minimum principal payments on the note payable is as follows:

Year ending December 31,	Principal	Debt Issuance Costs	Total
2019	\$ 82,798	\$ (3,853)	\$ 78,945
2020	86,584	(3,853)	82,731
2021	90,544	(3,853)	86,691
2022	2,024,756	(965)	2,023,791
Total	<u>\$ 2,284,682</u>	<u>\$ (12,524)</u>	<u>\$ 2,272,158</u>

NOTE 8 - NET ASSETS

Net assets with donor restrictions consist of \$78,382 of contributions restricted for use towards the One-on-One Live Chat program.

THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, (Continued)
DECEMBER 31, 2018

NOTE 9 - RENTAL LOSS

The Organization leases office space to tenants under non-cancelable operating leases with terms of 12 to 120 months.

Minimum future rentals required under the operating lease agreements in effect at December 31, 2018 were as follows:

Year ending December 31,	
2019	\$ 279,041
2020	180,792
2021	161,503
2022	150,536
2023	123,517
Thereafter	<u>216,564</u>
Total	<u>\$ 1,111,953</u>

As of December 31, 2018, 22,019 square feet of the 27,776 square foot building was being utilized under leasing agreements or held for lease. A summary of property held for leasing activities is as follows:

Rental portion of building, at cost	\$ 2,701,290
Less: accumulated depreciation	<u>(856,036)</u>
	<u>\$ 1,845,254</u>

Rental loss is reported net of expenses on the statement of activities. The following schedule provides the detail of net rental loss as reported on the statement of activities.

Rent received	\$ 253,219
Expenses:	
Depreciation	72,742
Insurance	8,556
Interest	109,903
Repairs and maintenance	40,055
Taxes and licenses	15,164
Utilities and other facility expenses	<u>18,707</u>
Rental loss, net of expenses	<u>\$ (11,908)</u>

NOTE 10 - CONCENTRATIONS

The Organization maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, the Organization did not have any deposits in excess of the federally insured limit.

Two donor contributions account for approximately 57% of total contribution revenue.

THE SHEPHERD'S CALL, INC.
D/B/A DAWSON MCALLISTER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, (Continued)
DECEMBER 31, 2018

NOTE 11 - RECENT ACCOUNTING POUNDNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization is in the process of evaluating the impact of the provisions of this new accounting guidance but does not expect it to have a material impact on its financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), requiring an entity to recognize their leases on the balance sheet, by recording a right-of-use asset and lease liability. This guidance is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2018, the FASB issued ASU No. 2018-18, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Adoption of ASU No. 2018-18 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluation whether contributions are unconditional or conditional. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and plans to adopt the provision of ASU No. 2018-18 in fiscal year 2020.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2019, the date on which the financial statements were available to be issued.