

Shepherds, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2026 and 2025

Shepherds, Inc.

Table of Contents

Page

Independent Auditor's Report 1

Financial Statements:

- Statements of Financial Position 3
- Statements of Activities 4
- Statements of Functional Expenses 5
- Statements of Cash Flows 6
- Notes to the Financial Statements 7

Independent Auditor's Report

To the Board of Directors of
Shepherds, Inc.

Opinion

We have audited the accompanying financial statements of Shepherds, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shepherds, Inc. as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shepherds, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Shepherds, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we:

- 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 Shepherds, Inc. 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shepherds, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Nanavaty, Davenport, Studley & White, LLP

October 2, 2026

Shepherds, Inc.

Statements of Financial Position

At June 30,

	2026	2025
Assets		
Cash and cash equivalents	$ 71,887	$ 29,223
Investments	700,222	796,075
Promises to give, net	18,957	37,319
Total Assets	$ 791,066	$ 862,617
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ -	$ 10,792
Total Liabilities	-	10,792
Net Assets:		
Without donor restrictions	684,403	751,350
With donor restrictions	106,663	100,475
Total Net Assets	791,066	851,825
Total Liabilities and Net Assets	$ 791,066	$ 862,617

The accompanying notes are an integral part of these financial statements.

Shepherds, Inc.

Statements of Activities

Years Ended June 30,

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions - sponsors	$ 262,860	$ 30,000	$ 292,860	$ 215,896	$ 45,000	$ 260,896
Contributions - foundations	137,222	-	137,222	98,650	-	98,650
Contributions - corporate	750	-	750	2,075	-	2,075
Contributions - other	221,000	-	221,000	287,034	-	287,034
Program fees	-	-	-	15,280	-	15,280
Other income	1,897	-	1,897	-	-	-
Investment return, net	24,944	1,188	26,132	35,553	3,029	38,582
Net assets released from restrictions	25,000	(25,000)	-	10,000	(10,000)	-
Total Support and Revenues	673,673	6,188	679,861	664,488	38,029	702,517
Expenses						
Program services	629,601	-	629,601	621,203	-	621,203
Management and general	33,193	-	33,193	34,505	-	34,505
Fundraising	77,826	-	77,826	78,891	-	78,891
Total Expenses	740,620	-	740,620	734,599	-	734,599
Change in Net Assets	(66,947)	6,188	(60,759)	(70,111)	38,029	(32,082)
Net Assets, beginning of year	751,350	100,475	851,825	821,461	62,446	883,907
Net Assets, end of year	$ 684,403	$ 106,663	$ 791,066	$ 751,350	$ 100,475	$ 851,825

The accompanying notes are an integral part of these financial statements.

Shepherds, Inc.

Statements of Functional Expenses

Years Ended June 30,

	2026				2025			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	$ 218,102	$ 14,737	$ 61,894	$ 294,733	$ 216,199	$ 14,608	$ 61,354	$ 292,161
Employee benefits and taxes	21,566	1,457	6,120	29,143	17,112	1,156	4,856	23,124
Payroll and related expenses	239,668	16,194	68,014	323,876	233,311	15,764	66,210	315,285
Tuition payments	323,319	-	-	323,319	305,606	-	-	305,606
Workshop services	10,648	-	-	10,648	8,795	-	-	8,795
Professional fees	10,932	6,997	3,936	21,865	8,642	5,531	3,111	17,284
Program recruitment and training	2,792	28	-	2,820	10,606	107	-	10,713
Student services	19,044	-	-	19,044	13,939	-	-	13,939
Insurance	-	6,501	-	6,501	-	7,191	-	7,191
Rent	8,560	1,070	1,070	10,700	18,020	2,253	2,253	22,526
Office expense and other	14,638	2,403	4,806	21,847	22,284	3,659	7,317	33,260
Total expenses	$ 629,601	$ 33,193	$ 77,826	$ 740,620	$ 621,203	$ 34,505	$ 78,891	$ 734,599

The accompanying notes are an integral part of these financial statements.

Shepherds, Inc.

Statements of Cash Flows

Years Ended June 30,

	2026	2025
Cash Flows From Operating Activities:		
Change in net assets	$ (60,759)	$ (32,082)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized gain on investments	(2,396)	(6,307)
In-kind donation of securities	(30,310)	(66,857)
Changes in operating assets and liabilities:		
Decrease in promises to give, net	18,362	17,590
Decrease in prepaid expenses	-	3,326
Decrease in accounts payable and accrued liabilities	(10,792)	(126)
Net cash used in operating activities	(85,895)	(84,456)
Cash flows from investing activities:		
Sales of investments, net	128,559	39,416
Net cash provided by investing activities	128,559	39,416
Net increase (decrease) in cash and cash equivalents	42,664	(45,040)
Cash and cash equivalents at beginning of year	29,223	74,263
Cash and cash equivalents at end of year	$ 71,887	$ 29,223

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Shepherds, Inc. ("Shepherds") is a Connecticut corporation that was founded in September 1998 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Shepherds affords underserved Connecticut youth the opportunity to receive a quality college preparatory education at a non-public high school. Shepherds recruits sponsors who make a four-year commitment to pay part or all of a student's tuition and mentors who work one-on-one with a student providing direction and support. Shepherds is funded primarily by individual and corporate donations.

During 2025-2026, Shepherds, Inc. provided financial support for 69 students enrolled in the program across four partnership high schools: Kolbe Cathedral Preparatory School in Bridgeport, Notre Dame High School of West Haven, Lauralton Hall in Milford and Fairfield Prep in Fairfield. Seventeen students graduated from their respective high schools during the year ended June 30, 2026.

During 2024-2025, Shepherds, Inc. provided financial support for 64 students enrolled in the program across three partnership high schools: Kolbe Cathedral Preparatory School in Bridgeport, Notre Dame High School of West Haven and Lauralton Hall in Milford. Twelve students graduated from their respective high schools during the year ended June 30, 2025.

Shepherds management's intent is to administer its programs in a prudent and fiscally responsible manner. To this end, management has negotiated tuition commitments with the partnership schools and will strive to meet those commitments while being mindful of the fiscal needs of Shepherds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - Shepherds prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of Shepherds are reported in the following net asset categories:

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended or designated at the discretion of the Board of Directors.

Net Assets With Donor Restriction - Net assets with donor restrictions are subject to donor-imposed stipulations: Some donor restrictions are temporary in nature or satisfied by the passage of time that either expire with the passage of time or can be fulfilled by the actions of Shepherds pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of net assets without donor restriction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Shepherds maintains its cash deposits at one financial institution. Cash and cash equivalents are defined as highly liquid investments with original maturities of up to three months when purchased, with the exception of cash and money market accounts held with investment brokers, which are considered to be investments.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See NOTE 3 for a discussion of fair value measurements. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Shepherds' gains and losses on investments bought and sold as well as held during the year.

The finance committee of the Board of Directors determines Shepherds' valuation policies and procedures utilizing information provided by asset custodians and fund managers. Investments are managed in accordance with a board-approved investment and spending policy.

Revenue and Revenue Recognition - Shepherds recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend are met. Amounts received prior to incurring qualifying expenditures are reported as a deferred revenue in the statement of financial position. Contributions receivable that are expected to be collected in more than one year are discounted to their present value.

In accordance with financial accounting standards, Shepherds, Inc. records contributions received as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to net assets without donor restrictions upon the satisfaction of the time or purpose restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor, grantor or other outside party for particular operating purposes or for fixed asset acquisitions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Shepherds records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. All goods and services are transferred at a point in time.

Shepherds also receives noncash donations such as shares of stock. These stock donations are included in the contributions - sponsors line on the Statement of Activities, totaling $30,310 and $66,857 for the years ended June 30, 2026 and 2025, respectively. These stock donations are typically liquidated shortly after receipt and the proceeds are used to support Shepherds' mission.

Shepherds receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers serve as mentors to students in the program providing guidance and support through the students' four years of high school. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the asset transferred to Shepherds or the liability cancelled or settled. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

Promises to Give - Promises to give balances represent unconditional pledges made to Shepherds in support of the 25th Anniversary Gala fundraising during the year ended June 30, 2024. These contributions receivable are expected to be collected in more than one year and are discounted to their present value. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor, when deemed necessary. Shepherds expects to fully collect these contributions receivable and has determined that an allowance for uncollectible contributions receivable is not necessary.

Uses of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes - Shepherds is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3). Management is not aware of any course of action or series of events that have occurred that might adversely affect Shepherds' exempt status. GAAP requires management to evaluate tax positions taken by Shepherds and recognize a tax liability (or asset) if Shepherds has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Shepherds is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that it is no longer subject to income tax examinations for years prior to 2022.

Functional Expenses and Cost Allocation - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The statements of functional expenses report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These allocations are determined by Shepherds' management.

The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Professional fees, program development and insurance are based on expenses tracked by account across functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Accounting Policy - Shepherds has evaluated the applicability of Accounting Standards Codification (ASC) 842, Leases, issued by the Financial Accounting Standards Board (FASB). Based on the nature and extent of its lease arrangements of being 12 months or under, Shepherds does not meet the criteria to capitalize and present its leases on the statement of financial position as required by the new lease standard. Shepherds continues to expense its operating lease payments on a straight-line basis over the lease term on the statement of activities. See NOTE 8 for a discussion of leases.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported change in net assets.

Subsequent Events - Management has evaluated subsequent events through October 2, 2026, which is the date the financial statements were available to be issued. There were no subsequent events that require disclosure.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measurements - The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 - Valuation is based on quoted prices are available in active markets for identical assets or liabilities as of the report date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets and liabilities.

Level 2 - Valuation is based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near dear, which Shepherds has determined to be within 90 days.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These investments are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Shepherds. Shepherds considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Shepherds' perceived risk of that instrument.

Shepherds' policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks, Mutual Funds and Fixed Income Securities - These items are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at June 30, 2026 and 2025.

Assets Measured at Fair-Value on a Recurring Basis - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of June 30:

	2026			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and money market funds	$ 434,191	$ -	$ -	$ 434,191
Mutual funds	4,815	-	-	4,815
Fixed income securities	224,553	36,663	-	261,216
Total Investments	$ 663,559	$ 36,663	$ -	$ 700,222

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 38,511	$ -	$ -	$ 38,511
Fixed income securities	342,804	414,760	-	757,564
Total Investments	$ 381,315	$ 414,760	$ -	$ 796,075

Investment return consists of the following at June 30:

	2026	**2025**
Interest and dividend income	$ 23,736	$ 32,275
Net unrealized gains	2,396	6,307
Investment Return, net	$ 26,132	$ 38,582

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Shepherds' financial assets available within one-year of the statement of financial position date for general expenditure are as follows, for the years ended June 30:

	2026	2025
Financial Assets at year end:		
Cash and cash equivalents	$ 71,887	$ 29,223
Investments	700,222	796,075
Promises to give due within one year, net	15,000	20,000
Total financial assets	787,109	845,298
Less: amounts with limits on usage:		
Spendable net assets with donor restrictions	(106,663)	(100,475)
Financial assets available to meet general expenditures over the next twelve months	$ 680,446	$ 744,823

Liquidity Management

Shepherds regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. Shepherds has various sources of liquidity at its disposal, including cash and cash equivalents, and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Shepherds considers all expenditures related to its ongoing activities as well as services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, Shepherds anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The restricted resources on hand at year end will be used in the subsequent year for specific operating expenditures of Shepherds.

NOTE 5 - PROMISES TO GIVE

Promises to give, net, consist of the following unconditional promises to give from individual donors at June 30:

	2026	2025
Amounts expected to be collected in:		
Less than one year	$ 15,000	$ 20,000
Greater than one year	5,000	20,000
	20,000	40,000
Less: discount to net present value	(1,043)	(2,681)
Promises to give, net	$ 18,957	$ 37,319

Promises to give that are expected to be collected after one year have been discounted at 4.39%, which is the Treasury rate at the time the pledges were made, and are reflected in the financial statements at its net present value.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Amounts with donor restrictions at June 30, 2026 and 2025 were restricted for various program costs and subsequent year's tuition, as follows:

	2026	2025
Specific Purpose:		
Shepherds' Fund	$ 36,663	$ 40,475
Other scholarships	70,000	60,000
Total Net assets with donor restrictions	$ 106,663	$ 100,475

The Shepherds' Fund was established in honor of Shepherds' tenth anniversary. The funds are restricted for future Kolbe Cathedral Preparatory School student support. The funds are held at the Community Foundation of Greater New Haven. Under the agreement with the Community Foundation, Shepherds can withdraw from the fund with 30 to 60 days' notice. Amounts held by the Community Foundation were $36,663 and $40,475 for the years ended June 30, 2026 and 2025 respectively. These amounts are included in fixed income securities in NOTE 3 above.

Net assets with donor restrictions in the amount of $25,000 and $10,000 were released for scholarships for the years ended June 30, 2026 and 2025, respectively.

NOTE 7 - CONCENTRATIONS AND RISKS

Credit Risk

Shepherds maintains its cash deposits at one financial institution. From time to time balances on deposit may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits of $250,000. Shepherds has not experienced any losses on such deposits and believes that it is not exposed to any significant credit risk on these balances because of the creditworthiness of the financial institution.

Market Risk

Shepherds invests in investment securities which may be exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk factors in the near term could materially affect the amounts reported in the statements of financial position and activities.

NOTE 8 - LEASES

Effective June 1, 2023, Shepherds temporarily relocated its office due to renovations of its primary office space. Shepherds leased the temporary location at a monthly rental rate of $1,600 through August 31, 2025. Upon completion of the renovations, Shepherds returned to its newly renovated office on September 1, 2025, and entered into a new 10-month lease agreement for that space, expiring June 30, 2026, at a monthly rental rate of $833. In July 2026, Shepherds relocated to a new office space under a month-to-month lease arrangement with monthly rent of $725.

Rent expenses were $10,700 and $22,526 for the years ended June 30, 2026 and 2025 respectively.