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CARE AND SHARE, INC.

Financial Statements

For the Year Ended June 30, 2011,

And

Independent Auditors' Reports

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Care and Share, Inc.

We have audited the accompanying balance sheet of Care and Share, Inc. (the Organization) as of June 30, 2011, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated March 17, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Care and Share, Inc. as of June 30, 2011 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Stockman Kast Ryan + Co., LLP

September 28, 2011

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CARE AND SHARE, INC.

BALANCE SHEET
JUNE 30, 2011 (with comparative totals for 2010)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,062,402	$ 1,612,066
Accounts and grants receivable	280,598	213,992
Pledges receivable	525	159,061
Inventories	1,644,618	1,311,117
Prepaid expenses	54,472	13,205
Total current assets	3,042,615	3,309,441
PROPERTY AND EQUIPMENT, NET	9,423,243	9,731,294
OTHER ASSETS	46,499	60,159
TOTAL ASSETS	$ 12,512,357	$ 13,100,894
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 225,619	$ 156,312
Accrued expenses	132,480	179,025
Current portion of long-term debt	99,851	1,205,780
Total current liabilities	457,950	1,541,117
LONG-TERM DEBT	2,807,741	2,366,562
Total liabilities	3,265,691	3,907,679
NET ASSETS		
Unrestricted:		
Board designated	607,256	497,872
Donated food	1,483,174	1,133,716
Equity in property and equipment	6,515,651	6,158,952
Undesignated	486,116	1,302,436
Total unrestricted	9,092,197	9,092,976
Temporarily restricted	154,469	100,239
Total net assets	9,246,666	9,193,215
TOTAL LIABILITIES AND NET ASSETS	$ 12,512,357	$ 13,100,894

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011 (with comparative totals for 2010)

	2011					
	Unrestricted					
	Operating	Donated Food	Total	Temporarily Restricted	Total	2010 Total
REVENUES AND SUPPORT						
Contributions and grants	$ 3,373,977	$19,313,770	$22,687,747	$ 316,664	$23,004,411	$24,212,095
Operations income	1,331,875		1,331,875		1,331,875	1,382,678
Investment income	5,115		5,115		5,115	9,670
Net assets released from restrictions	262,434		262,434	(262,434)		
Total support and revenue	4,973,401	19,313,770	24,287,171	54,230	24,341,401	25,604,443
EXPENSES AND LOSSES						
Program services:						
Warehousing and distribution of food	4,018,377	18,964,312	22,982,689		22,982,689	23,601,063
Support services:						
Development	817,316		817,316		817,316	778,037
General and administrative	529,101		529,101		529,101	514,747
Total expenses	5,364,794	18,964,312	24,329,106		24,329,106	24,893,847
Loss from (recovery of) bad debts	(41,156)		(41,156)		(41,156)	194,384
Total expenses and losses	5,323,638	18,964,312	24,287,950	—	24,287,950	25,088,231
CHANGE IN NET ASSETS	(350,237)	349,458	(779)	54,230	53,451	516,212
NET ASSETS, Beginning of year	7,959,260	1,133,716	9,092,976	100,239	9,193,215	8,677,003
NET ASSETS, End of year	$ 7,609,023	$ 1,483,174	$ 9,092,197	$ 154,469	$ 9,246,666	$ 9,193,215

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 (with comparative totals for 2010)

	2011				
	Program	Development	General and Administrative	Total	2010 Total
EXPENSES					
Donated distributions	$ 18,964,312			$ 18,964,312	$ 19,759,417
Salaries and related	1,287,850	$ 351,677	$ 348,410	1,987,937	1,811,406
Food purchase program	1,180,618			1,180,618	1,229,432
Depreciation and amortization	360,088	17,372	15,074	392,534	391,633
Donated food acquisition	376,121			376,121	281,593
Transportation	285,759		20	285,779	219,399
Printing	2,104	201,313	630	204,047	179,580
Occupancy	187,081	4,837	3,875	195,793	123,018
Interest expense	126,042	7,694	21,259	154,995	240,524
Postage	5,105	70,260	1,921	77,286	88,112
Advertising and promotions	1,125	72,140		73,265	79,560
Supplies	56,587	2,788	11,930	71,305	178,562
Equipment rent and maintenance	40,305	15,128	10,614	66,047	81,065
Field expense	34,610	6,391	18,237	59,238	69,046
Professional fees	9,787	16,781	24,912	51,480	24,354
Organizational expenses	11,152	6,929	29,744	47,825	25,363
Insurance	33,174	1,110	2,996	37,280	38,025
Telephone	10,323	3,040	4,717	18,080	17,926
Professional development	2,985	2,498	7,134	12,617	18,907
Food bank fees	6,912	384	384	7,680	7,948
Miscellaneous	649	36,974	27,244	64,867	28,977
TOTAL – 2011	$ 22,982,689	$ 817,316	$ 529,101	$ 24,329,106	
PERCENT OF TOTAL – 2011	95%	3%	2%	100%	
TOTAL – 2010	$ 23,601,063	$ 778,037	$ 514,747		$ 24,893,847
PERCENT OF TOTAL – 2010	95%	3%	2%		100%

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011 (with comparative totals for 2010)

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	$ 53,451	$ 516,212
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	392,534	391,633
Loss from (recovery of) bad debts	(41,156)	194,384
Changes in operating assets and liabilities:		
Accounts and grants receivable	(66,606)	(28,708)
Inventories	(333,501)	(647,937)
Prepaid expenses	(41,267)	15,081
Accounts payable and accrued expenses	22,762	(157,825)
Net cash provided by (used in) operating activities	(13,783)	282,840
INVESTING ACTIVITIES		
Net cash used in investing activities —		
Purchases of property and equipment	(70,823)	(187,588)
FINANCING ACTIVITIES		
Net change in cash restricted for capital expenditures		2,711,675
Principal payments on long-term debt	(664,750)	(2,574,911)
Collection of pledges receivable – restricted for long term purposes	199,692	132,647
Net cash provided by (used in) financing activities	(465,058)	269,411
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(549,664)	364,663
CASH AND EQUIVALENTS, Beginning of year	1,612,066	1,247,403
CASH AND EQUIVALENTS, End of year	$ 1,062,402	$ 1,612,066
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 151,710	$ 349,113

See notes to financial statements.

CARE AND SHARE, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Care and Share, Inc. (the Organization) provides resources to feed people in need. As a regional food bank, the Organization acts as a clearing house for food donated from national and local manufacturers, regional growers and distributors, the local food industry, and the community at large. During the years ended June 30, 2011 and 2010, the Organization served approximately 400 non-profit feeding programs throughout the Organization's thirty-one county service area in southern Colorado.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable — Accounts receivable relate to amounts due for various services. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At June 30, 2011 and 2010, no allowances had been recorded on accounts receivable.

Pledges Receivable — Unconditional promises to give are recognized as support and assets in the period received. Pledges receivable are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Management provides for probable uncollectable amounts through an allowance for uncollectable promises to give based on an assessment of the current status of individual receivables. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories — Inventories consist primarily of donated food products valued at their estimated wholesale value of $1.66 and $1.60 per pound as of June 30, 2011 and 2010, respectively.

Property and Equipment — Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which is estimated to be thirty-nine years for buildings and five to ten years for furnishings and equipment.

The Organization's general policy is to capitalize acquisitions of property and equipment costing in excess of $1,000 and having a useful life exceeding one year.

Contributions — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for how long the long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized in future years and is reported as contribution revenue.

Contributions for Others — The Organization receives a significant amount of donated food that is designated for others. This food is received for and distributed to schools and counties in Southern Colorado. As the Organization does not have any variance power over these donated items, they have not been recorded in the Organization's financial statements.

Allocation of Functional Expenses — The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Marketing and Advertising — The Organization expenses marketing and advertising costs as they are incurred.

Income Taxes — The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through September 28, 2011, the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

	2011	2010
Due in less than one year	$ 525	$ 194,457
Due in one to five years		14,604
Total	525	209,061
Allowance for uncollectable amounts		(50,000)
Total	$ 525	$ 159,061

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2011	2010
Land and buildings	$ 9,343,616	$ 9,334,546
Furnishings and equipment	1,454,507	1,392,755
Total	10,798,123	10,727,301
Less accumulated depreciation	1,374,880	996,007
Total property and equipment	$ 9,423,243	$ 9,731,294

4. BOARD DESIGNATED UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the Organization to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs are treated as board designated unrestricted net assets. The balance can be transferred to the undesignated portion of unrestricted net assets at the Board's discretion. Designated board reserves were $607,256 and $497,872 as of June 30, 2011 and 2010, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2011	2010
Purpose restrictions	$ 154,469	$ 100,239

6. DONATED PRODUCTS AND SERVICES

The solicitation, receipt, storage and distribution of donated food products constitute the Organization's principal operating activity. The value of donated food products received and distributed during the year ended June 30, 2011 was $19,313,770 and $18,964,312, respectively. The value of donated food products received and distributed during the year ended June 30, 2010 was $20,415,156 and $19,759,417, respectively.

For the year ended June 30, 2011, the Organization recorded other donated goods and services totaling $24,725, all of which was expensed. For the year ended June 30, 2010, the Organization recorded donated goods and services totaling $90,269, of which $84,900 was capitalized as property and equipment and $5,369 was expensed.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 21,959 and 24,067 volunteer hours during fiscal years ended June 30, 2011 and 2010, respectively, with an estimated value of $469,044 and $501,797, respectively. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

7. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2011	2010
Development Revenue Bond issued by El Paso County, Colorado in the face amount of $4,545,000. The bonds were due on September 18, 2012, but were refinanced subsequent to year-end.	$ 1,251,172	$ 1,342,189
Development Revenue Bond issued by El Paso County, Colorado in the face amount of $1,535,000. The bonds were due on June 15, 2018, but were refinanced subsequent to year-end.	893,348	1,396,648
Development Revenue Bond issued by Pueblo County, Colorado in the face amount of $936,562. The bonds were due in April, 2022, but were refinanced subsequent to year-end.	745,507	796,575
Note payable to a bank, payable in monthly installments of $1,770, including interest at a rate of 6.25% per annum. The note is due in April, 2012 and is secured by equipment.	17,565	36,930
Total	2,907,592	3,572,342
Less current portion	99,851	1,205,780
Long-term portion	$ 2,807,741	$ 2,366,562

Subsequent to year end, the Organization refinanced the three bonds listed above through the issuance of a $3,005,173 promissory note to the El Paso County Housing Authority (the Authority). The Authority issued El Paso County Housing Authority Development Revenue Refunding Bonds (Bonds) for the benefit of the Organization. The promissory note bears interest at 3.80%, matures on August 1, 2031 and is payable in annual payments of $214,947. The note is secured by a deed of trust on the land and buildings located in Colorado Springs and Pueblo. The current portion of debt and future principal payments are disclosed based on the new maturity dates of the new bonds.

Required annual minimum principal payments on the notes are as follows:

2012	$ 99,851
2013	105,705
2014	109,793
2015	114,039
2016	118,448
Thereafter	2,359,756
Total	$ 2,907,592

The bonds are subject to provisions that require the Organization to meet certain financial ratios and other operating minimums and restrictions. As of June 30, 2011 and 2010, the Organization is in compliance with these provisions.

8. OPERATING LEASES

The Organization leases office equipment under the terms of a non-cancellable operating lease, expiring in fiscal year 2013. Through January of 2009, the Organization also leased office and warehouse space under the terms of a non-cancellable operating lease.

Future minimum annual lease payments are as follows:

2012	$ 65,664
2013	65,664
2014	21,280
Total	$ 152,608

Rent expense totaled $72,426 and $47,604 for the years ended June 30, 2011 and 2010, respectively.

9. CONCENTRATIONS

The Organization maintains its cash and equivalents in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the cash and equivalents held may exceed federally insured limits.

The Organization is the designated Feeding America Food Bank of Southern Colorado. Feeding America is a national food bank. The Organization receives approximately one-half of their donated food through Feeding America.

10. TAX-DEFERRED ANNUITY PLAN

The Organization offers a Tax-Deferred Annuity Plan qualified under Section 403(b) of the Internal Revenue Code, covering full-time employees of the Organization. Employees may make contributions to the Plan up to the maximum amount allowed by the Code. The Organization did not contribute to the Plan during the years ended June 30, 2011 and 2010.

11. RELATED PARTY TRANSACTIONS

Delivery services were provided to the Organization by a transportation company whose Colorado Springs Terminal Manager is a member of the Organization's Board of Directors. The amount paid to the transportation company totaled $73,387 and $61,101 during the years ended June 30, 2011 and 2010, respectively.

Advertising services were provided to the Organization by an advertising company whose owner is a member of the Organization's Board of Directors. The amount paid to the advertising company totaled $2,936 and $10,177 for the years ended June 30, 2011 and 2010, respectively.