

CARE AND SHARE, INC.

Financial Statements

For the Year Ended June 30, 2015

And

Independent Auditors' Report

CARE AND SHARE, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Care and Share, Inc.

We have audited the accompanying financial statements of Care and Share, Inc. (the Organization), which comprise the balance sheet as of June 30, 2015, and 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.

Auditors' 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 Care and Share, Inc. as of June 30, 2015 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

Report on Summarized Comparative Information

We have previously audited Care and Share, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

September 23, 2015

CARE AND SHARE, INC.

BALANCE SHEET

JUNE 30, 2015 (with comparative totals for 2014)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,507,125	\$ 1,136,431
Accounts and grants receivable	609,895	432,326
Pledges receivable	130,961	112,291
Inventories	1,835,090	1,598,084
Prepaid expenses	<u>51,947</u>	<u>33,996</u>
Total current assets	4,135,018	3,313,128
PROPERTY AND EQUIPMENT, NET	8,839,949	8,807,197
OTHER ASSETS	<u>91,674</u>	<u>97,369</u>
TOTAL ASSETS	<u>\$ 13,066,641</u>	<u>\$ 12,217,694</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 231,733	\$ 209,763
Accrued expenses	216,075	173,930
Current portion of long-term debt	<u>140,409</u>	<u>114,039</u>
Total current liabilities	588,217	497,732
LONG-TERM DEBT	<u>2,572,678</u>	<u>2,587,498</u>
Total liabilities	<u>3,160,895</u>	<u>3,085,230</u>
NET ASSETS		
Unrestricted:		
Board designated	843,171	734,780
Donated food	1,754,416	1,434,472
Invested in property and equipment	6,126,862	6,105,660
Undesignated	<u>732,580</u>	<u>667,567</u>
Total unrestricted	9,457,029	8,942,479
Temporarily restricted	<u>448,717</u>	<u>189,985</u>
Total net assets	<u>9,905,746</u>	<u>9,132,464</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,066,641</u>	<u>\$ 12,217,694</u>

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015 (with comparative totals for 2014)

	2015							2014 Total
	Unrestricted			Temporarily Restricted			Total	
	Operating	Donated Food	Total	Fire Relief	Other	Total		
REVENUES AND SUPPORT								
Contributions and grants	\$ 5,120,368	\$ 31,296,692	\$ 36,417,060		\$ 301,729	\$ 301,729	\$ 36,718,789	\$ 31,621,999
Operations income	1,412,870		1,412,870				1,412,870	1,371,951
Investment income	2,878		2,878				2,878	1,545
Net assets released from restrictions:	781	42,216	42,997	\$ (42,216)	(781)	(42,997)		
Total revenues and support	6,536,897	31,338,908	37,875,805	(42,216)	300,948	258,732	38,134,537	32,995,495
EXPENSES								
Program services:								
Warehousing and distribution of food	4,545,991	31,018,964	35,564,955				35,564,955	31,642,843
Support services:								
Development	1,015,821		1,015,821				1,015,821	902,314
General and administrative	780,479		780,479				780,479	649,179
Total expenses	6,342,291	31,018,964	37,361,255	-	-	-	37,361,255	33,194,336
CHANGE IN NET ASSETS	194,606	319,944	514,550	(42,216)	300,948	258,732	773,282	(198,841)
NET ASSETS, Beginning of year	7,508,007	1,434,472	8,942,479	189,985	-	189,985	9,132,464	9,331,305
NET ASSETS, End of year	\$ 7,702,613	\$ 1,754,416	\$ 9,457,029	\$ 147,769	\$ 300,948	\$ 448,717	\$ 9,905,746	\$ 9,132,464

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015 (with comparative totals for 2014)

	2015			2014 Total
	Program	Development	General and Admin- istrative	
EXPENSES				
Donated distributions	\$ 31,018,964			\$ 31,018,964
Salaries and related	1,365,599	\$ 416,693	\$ 461,343	2,243,635
Food purchase program	1,656,269			1,656,269
Donated food acquisition	488,665			488,665
Depreciation and amortization	363,665	22,244	22,244	408,153
Transportation	265,202		159	265,361
Printing	4,993	190,997	958	196,948
Occupancy	29,128	53,400	79,291	161,819
Advertising and promotions	378	118,880	243	119,501
Equipment rent and maintenance	70,599	13,326	31,306	115,231
Postage	544	92,425	13,940	106,909
Interest expense	51,953	2,121	51,953	106,027
Supplies	93,239	1,037	9,843	104,119
Professional fees	26,549	34,806	28,265	89,620
Field expense	45,382	6,548	7,334	59,264
Insurance	44,366	5,546	5,546	55,458
Organizational expenses	13,666	9,125	20,552	43,343
Telephone	11,407	11,406	11,407	34,220
Professional development	3,835	8,670	6,948	19,453
Food bank fees	10,552			10,552
Miscellaneous		28,597	29,147	57,744
TOTAL – 2015	<u>\$ 35,564,955</u>	<u>\$ 1,015,821</u>	<u>\$ 780,479</u>	<u>\$ 37,361,255</u>
PERCENT OF TOTAL – 2015	<u>95%</u>	<u>3%</u>	<u>2%</u>	<u>100%</u>
TOTAL – 2014	<u>\$ 31,642,843</u>	<u>\$ 902,314</u>	<u>\$ 649,179</u>	<u>\$ 33,194,336</u>
PERCENT OF TOTAL – 2014	<u>95%</u>	<u>3%</u>	<u>2%</u>	<u>100%</u>

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015 (with comparative totals for 2014)

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	\$ 773,282	\$ (198,841)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	408,153	400,308
Loss on disposal of assets	43,285	
Changes in operating assets and liabilities:		
Accounts and grants receivable	(177,569)	(107,374)
Pledges receivable	(18,670)	23,220
Inventories	(237,006)	605,925
Prepaid expenses	(12,256)	(567)
Accounts payable and accrued expenses	<u>64,115</u>	<u>(111,043)</u>
Net cash provided by operating activities	<u>843,334</u>	<u>611,628</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(361,690)	(217,354)
Proceeds from sale of assets	<u>4,500</u>	<u> </u>
Net cash used in investing activities	<u>(357,190)</u>	<u>(217,354)</u>
FINANCING ACTIVITIES		
Net cash used in financing activities —		
Principal payments on long-term debt	<u>(115,450)</u>	<u>(109,913)</u>
NET INCREASE IN CASH AND EQUIVALENTS	370,694	284,361
CASH AND EQUIVALENTS, Beginning of year	<u>1,136,431</u>	<u>852,070</u>
CASH AND EQUIVALENTS, End of year	<u>\$ 1,507,125</u>	<u>\$ 1,136,431</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 106,363</u>	<u>\$ 108,964</u>
Note payable issued for vehicle	<u>\$ 127,000</u>	

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 each of the years ended June 30, 2015 and 2014, 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, 2014, 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, 2015 and 2014, 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 uncollectible amounts through an allowance for uncollectible 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 \$1.70 and \$1.69 per pound as of June 30, 2015 and 2014, 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. Contributions restricted specifically for disaster relief efforts are recorded as restricted even if the restriction is met in the same year. 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.

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. The Organization's income tax returns for 2012 through the current period remain open to examination by the Internal Revenue Service and relevant state authorities.

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 the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

	2015	2014
Due in less than one year	\$ 145,512	\$ 129,191
Allowance for uncollectable amounts	<u>(14,551)</u>	<u>(16,900)</u>
Total	<u>\$ 130,961</u>	<u>\$ 112,291</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2015	2014
Land and buildings	\$ 9,494,092	\$ 9,233,203
Furnishings and equipment	<u>2,152,294</u>	<u>2,095,881</u>
Total	11,646,386	11,329,084
Less accumulated depreciation	<u>2,806,437</u>	<u>2,521,887</u>
Total property and equipment	<u>\$ 8,839,949</u>	<u>\$ 8,807,197</u>

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 \$843,171 and \$734,780 as of June 30, 2015 and 2014, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Purpose and time restrictions	<u>\$ 448,717</u>	<u>\$ 189,985</u>

During 2012 and 2013, the Colorado Springs area experienced two forest fires that destroyed approximately 800 homes in the area. In response to the fires, the Colorado Springs community contributed significant amounts of food, other in-kind items and cash to be used for fire relief efforts. Restricted net assets include the remaining balance restricted for fire relief efforts which totaled \$147,769 and \$189,985 at June 30, 2015 and 2014, respectively.

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 unrestricted donated food products received and distributed during the year ended June 30, 2015 was \$31,296,692 and \$31,018,964, respectively. The value of donated food products received and distributed during the year ended June 30, 2014 was \$26,605,873 and \$27,419,244, respectively.

For the years ended June 30, 2015 and 2014, the Organization recorded other donated goods and services totaling \$147,053 and \$28,211, respectively. Of the donated items \$123,660 was capitalized during the year ended June 30, 2015, all other amounts were expensed.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 42,204 and 35,035 volunteer hours during fiscal years ended June 30, 2015 and 2014, respectively, with an estimated value of \$973,646 and \$879,379, 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:

	2015	2014
Development Revenue Bond issued by El Paso County, Colorado Housing Authority bearing interest at 3.80%, matures on August 31, 2031, and secured by a deed of trust on the land and buildings located in Colorado Springs and Pueblo, recorded at \$6,274,220 in fixed assets, net of depreciation.	\$ 2,588,248	\$ 2,701,537
Loan issued by a bank bearing interest at 3.25%, payable in monthly payments of \$2,299, matures on April 20, 2020, and secured by 1st Lien on a semi-tractor, recorded at \$135,325 in fixed assets, net of depreciation.	<u>124,839</u>	<u> </u>
Total	2,713,087	2,701,537
Less current portion	<u>140,409</u>	<u>114,039</u>
Long-term portion	<u>\$ 2,572,678</u>	<u>\$ 2,587,498</u>

Required annual minimum principal payments are as follows:

2016	\$ 140,409
2017	146,045
2018	151,631
2019	157,431
2020	160,674
Thereafter	<u>1,956,897</u>
Total	<u>\$ 2,713,087</u>

The Organization has a \$200,000 line of credit with a bank that matures on June 11, 2016. The line of credit bears interest at the prime rate plus 1%, (4.25% as of June 30, 2015). No amounts were outstanding on the line of credit as of June 30, 2015.

8. OPERATING LEASES

The Organization leases office equipment under the terms of a non-cancellable operating lease, expiring in fiscal year 2017.

Future minimum annual lease payments are as follows:

2016	\$ 8,829
2017	8,271
2018	4,713
2019	<u>4,319</u>
Total	<u>\$ 26,132</u>

Rent expense totaled \$94,056 and \$85,028 for the years ended June 30, 2015 and 2014, 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 June 30, 2015, the Organization's bank accounts exceeded FDIC limits by \$1,033,621.

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 its 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, 2015 and 2014.

11. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the Organization formed a separate for-profit company, GoalZero Recycling, Inc. (GoalZero Recycling). GoalZero Recycling had no activity during the year ended June 30, 2015.