

**CARE AND SHARE, INC.**

**Financial Statements**

**For the Year Ended June 30, 2012,**

**And**

**Independent Auditors' Report**

## 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, 2012, 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 2011 financial statements and in our report dated September 28, 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, 2012 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*  
October 31, 2012

# CARE AND SHARE, INC.

## BALANCE SHEET

JUNE 30, 2012 (with comparative totals for 2011)

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	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,195,951	\$ 1,062,402
Accounts and grants receivable	435,829	280,598
Pledges receivable	118,855	525
Inventories	2,544,050	1,644,618
Prepaid expenses	<u>31,278</u>	<u>54,472</u>
Total current assets	4,325,963	3,042,615
PROPERTY AND EQUIPMENT, NET	9,235,825	9,423,243
OTHER ASSETS	<u>108,759</u>	<u>46,499</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,670,547</b></u>	<u><b>\$ 12,512,357</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 155,424	\$ 225,619
Accrued expenses	143,419	132,480
Current portion of long-term debt	<u>105,705</u>	<u>99,851</u>
Total current liabilities	404,548	457,950
LONG-TERM DEBT	<u>2,811,403</u>	<u>2,807,741</u>
Total liabilities	<u>3,215,951</u>	<u>3,265,691</u>
<b>NET ASSETS</b>		
Unrestricted:		
Board designated	731,692	607,256
Donated food	1,272,616	1,483,174
Equity in property and equipment	6,318,717	6,515,651
Undesignated	<u>500,211</u>	<u>486,116</u>
Total unrestricted	8,823,236	9,092,197
Temporarily restricted	<u>1,631,360</u>	<u>154,469</u>
Total net assets	<u>10,454,596</u>	<u>9,246,666</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 13,670,547</b></u>	<u><b>\$ 12,512,357</b></u>

See notes to financial statements.

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# CARE AND SHARE, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012 (with comparative totals for 2011)

	2012							2011 Total
	Unrestricted			Temporarily Restricted			Total	
	Operating	Donated Food	Total	Waldo Canyon Fire	Other	Total		
<b>REVENUES AND SUPPORT</b>								
Contributions and grants	\$ 3,650,947	\$ 21,220,370	\$ 24,871,317	\$ 1,745,193	\$ 176,014	\$ 1,921,207	\$ 26,792,524	\$ 23,004,411
Operations income	1,476,283		1,476,283				1,476,283	1,331,875
Investment income	3,208		3,208				3,208	5,115
Net assets released from restrictions	<u>165,160</u>	<u>279,156</u>	<u>444,316</u>	<u>(289,847)</u>	<u>(154,469)</u>	<u>(444,316)</u>		
Total support and revenue	<u>5,295,598</u>	<u>21,499,526</u>	<u>26,795,124</u>	<u>1,455,346</u>	<u>21,545</u>	<u>1,476,891</u>	<u>28,272,015</u>	<u>24,341,401</u>
<b>EXPENSES AND LOSSES</b>								
Program services:								
Warehousing and distribution of food	4,133,508	21,710,084	25,843,592				25,843,592	22,982,689
Support services:								
Development	658,220		658,220				658,220	817,316
General and administrative	<u>555,273</u>		<u>555,273</u>				<u>555,273</u>	<u>529,101</u>
Total expenses	5,347,001	21,710,084	27,057,085	—	—	—	27,057,085	24,329,106
Loss from (recovery of) bad debts	<u>7,000</u>		<u>7,000</u>				<u>7,000</u>	<u>(41,156)</u>
Total expenses and losses	<u>5,354,001</u>	<u>21,710,084</u>	<u>27,064,085</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,064,085</u>	<u>24,287,950</u>
CHANGE IN NET ASSETS	(58,403)	(210,558)	(268,961)	1,455,346	21,545	1,476,891	1,207,930	53,451
NET ASSETS, Beginning of year	<u>7,609,023</u>	<u>1,483,174</u>	<u>9,092,197</u>	<u>—</u>	<u>154,469</u>	<u>154,469</u>	<u>9,246,666</u>	<u>9,193,215</u>
NET ASSETS, End of year	<u>\$ 7,550,620</u>	<u>\$ 1,272,616</u>	<u>\$ 8,823,236</u>	<u>\$ 1,455,346</u>	<u>\$ 176,014</u>	<u>\$ 1,631,360</u>	<u>\$ 10,454,596</u>	<u>\$ 9,246,666</u>

See notes to financial statements.

## CARE AND SHARE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2012 (with comparative totals for 2011)

	2012			2011 Total
	Program	Development	General and Admin- istrative	
EXPENSES				
Donated distributions	\$ 21,644,108			\$ 21,644,108
Salaries and related	1,326,503	\$ 267,088	\$ 351,675	1,945,266
Food purchase program	1,254,342			1,254,342
Donated food acquisition	483,580			483,580
Depreciation and amortization	356,376	15,192	15,192	386,760
Transportation	300,812			300,812
Occupancy	158,736	3,788	5,996	168,520
Interest expense	80,830	4,535	80,549	165,914
Printing	1,539	157,321	141	159,001
Professional fees	15,664	56,811	21,636	94,111
Equipment rent and maintenance	47,046	16,838	28,731	92,615
Advertising and promotions	833	69,100	312	70,245
Supplies	53,590	3,650	10,682	67,922
Insurance	44,117	2,195	690	47,002
Field expense	33,523	2,688	3,493	39,704
Postage	4,557	31,373	3,307	39,237
Telephone	11,851	2,831	2,914	17,596
Organizational expenses	2,871	3,989	10,687	17,547
Professional development	5,677	969	9,311	15,957
Food bank fees	7,688		300	7,988
Miscellaneous	9,349	19,852	9,657	38,858
TOTAL – 2012	<u>\$ 25,843,592</u>	<u>\$ 658,220</u>	<u>\$ 555,273</u>	<u>\$ 27,057,085</u>
PERCENT OF TOTAL – 2012	<u>96%</u>	<u>2%</u>	<u>2%</u>	<u>100%</u>
TOTAL – 2011	<u>\$ 22,982,689</u>	<u>\$ 817,316</u>	<u>\$ 529,101</u>	<u>\$ 24,329,106</u>
PERCENT OF TOTAL – 2011	<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, 2012 (with comparative totals for 2011)

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	2012	2011
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,207,930	\$ 53,451
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	386,760	392,534
Loss from (recovery of) bad debts	7,000	(41,156)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(155,231)	(66,606)
Pledges receivable	(125,770)	
Inventories	(899,432)	(333,501)
Prepaid expenses	(39,066)	(41,267)
Accounts payable and accrued expenses	<u>(59,256)</u>	<u>22,762</u>
Net cash provided by (used in) operating activities	<u>322,935</u>	<u>(13,783)</u>
<b>INVESTING ACTIVITIES</b>		
Net cash used in investing activities —		
Purchases of property and equipment	<u>(199,342)</u>	<u>(70,823)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of long-term debt pursuant to refinancing	3,005,172	
Principal payments on long-term debt	(2,995,656)	(664,750)
Collection of pledges receivable – restricted for long term purposes	<u>440</u>	<u>199,692</u>
Net cash provided by (used in) financing activities	<u>9,956</u>	<u>(465,058)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	133,549	(549,664)
CASH AND EQUIVALENTS, Beginning of year	<u>1,062,402</u>	<u>1,612,066</u>
CASH AND EQUIVALENTS, End of year	<u>\$ 1,195,951</u>	<u>\$ 1,062,402</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 145,840</u>	<u>\$ 151,710</u>

See notes to financial statements.

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# CARE AND SHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2012 and 2011, 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, 2011, 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, 2012 and 2011, 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 \$1.66 per pound as of June 30, 2012 and 2011.

**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.

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 October 31, 2012, the date the financial statements were available for issuance.

## 2. PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

	<b>2012</b>	<b>2011</b>
Due in less than one year	\$ 125,855	\$ 525
Allowance for uncollectable amounts	<u>7,000</u>	<u>          </u>
Total	<u>\$ 118,855</u>	<u>\$ 525</u>

## 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<b>2012</b>	<b>2011</b>
Land and buildings	\$ 9,357,528	\$ 9,343,616
Furnishings and equipment	<u>1,639,937</u>	<u>1,454,507</u>
Total	10,997,465	10,798,123
Less accumulated depreciation	<u>1,761,640</u>	<u>1,374,880</u>
Total property and equipment	<u>\$ 9,235,825</u>	<u>\$ 9,423,243</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 \$731,692 and \$607,256 as of June 30, 2012 and 2011, respectively.

**5. TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>2012</b>	<b>2011</b>
Purpose restrictions	<u>\$ 1,631,360</u>	<u>\$ 154,469</u>

During the year ended June 30, 2012, there was a large wild fire that entered Colorado Springs and destroyed approximately 350 homes. In response to the fire, the Colorado Springs community contributed \$1,421,850 in donated food and \$323,343 in cash to the Organization for the fire relief efforts. The fire was still active at the end of the year and the Organization had made distributions in cash and food, from contributions received for the fire that totaled \$289,847 at June 30, 2012. Restricted net assets include the remaining balance restricted for fire efforts which totaled \$1,455,346 at June 30, 2012.

**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, 2012 was \$21,220,370 and \$21,710,084, respectively. The value of donated food products received and distributed for the Waldo Canyon Fire during the year ended June 30, 2012 was \$1,421,850 and \$279,156, respectively. 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.

For the year ended June 30, 2012, the Organization recorded other donated goods and services totaling \$16,001, all of which was expensed. For the year ended June 30, 2011, the Organization recorded donated goods and services totaling \$24,725, all of which was expensed.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 25,326 and 21,959 volunteer hours during fiscal years ended June 30, 2012 and 2011, respectively, with an estimated value of \$551,854 and \$469,044, 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:

	<b>2012</b>	<b>2011</b>
Development Revenue Bond issued by El Paso County, Colorado Housing Authority face amount of \$3,005,172. The bond bears interest at 3.80% and matures on August 31, 2031.	\$ 2,917,108	
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 during the year.		\$ 1,251,172

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 during the year. 893,348

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 during the year. 745,507

Note payable to a bank, payable in monthly installments of \$1,770, including interest at a rate of 6.25% per annum, due in April, 2012, and secured by equipment. 17,565

Total 2,917,108 2,907,592

Less current portion 105,705 99,851

Long-term portion \$ 2,811,403 \$ 2,807,741

During the year ended June 30, 2012, 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 an El Paso County Housing Authority Development Revenue Refunding Bond (the Bond) for the benefit of the Organization in the same amount. The Bond bears interest at 3.80%, matures on August 1, 2031 and is payable in annual payments of \$214,947. The borrowings are secured by a deed of trust on the land and buildings located in Colorado Springs and Pueblo.

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

2013	\$ 105,705
2014	109,793
2015	114,039
2016	118,448
2017	123,029
Thereafter	<u>2,346,094</u>
Total	<u>\$ 2,917,108</u>

## 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:

2013	\$ 69,780
2014	25,396
2015	4,116
2016	4,116
2017	<u>3,558</u>
Total	<u>\$ 106,966</u>

Rent expense totaled \$107,729 and \$72,426 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011.

**11. RELATED PARTY TRANSACTIONS**

One of the board members is a manager with the trustee of the bonds discussed in Note 7. The Organization has their insurance coverage through a Company of which that a board member is president.