

**CARE AND SHARE, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

For the Year Ended June 30, 2017

And

Independent Auditors' Report

CARE AND SHARE, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Care and Share, Inc.

We have audited the accompanying consolidated financial statements of Care and Share, Inc. (a non-profit organization) and its subsidiary, GoalZero Recycling, Inc., collectively (the Organization) which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care and Share, Inc. and Subsidiary as of June 30, 2017 and the change in their net assets and 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

September 28, 2017

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

JUNE 30, 2017 (with comparative totals for 2016)

| | 2017 | 2016 |
|------------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,578,328 | \$ 1,963,359 |
| Cash held for building repairs | <u>657,226</u> | <u> </u> |
| Total cash and cash equivalents | 2,235,554 | 1,963,359 |
| Accounts and grants receivable | 520,619 | 586,147 |
| Pledges receivable, net | 204,038 | 137,359 |
| Inventories | 2,501,485 | 1,861,362 |
| Prepaid expenses | <u>81,987</u> | <u>45,955</u> |
| Total current assets | 5,543,683 | 4,594,182 |
| PROPERTY AND EQUIPMENT, NET | 8,125,411 | 8,895,978 |
| OTHER ASSETS | <u> </u> | <u>80,285</u> |
| TOTAL ASSETS | <u>\$ 13,669,094</u> | <u>\$ 13,570,445</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 300,777 | \$ 315,320 |
| Accrued expenses | 337,783 | 307,429 |
| Current portion of long-term debt | <u>192,188</u> | <u>174,133</u> |
| Total current liabilities | 830,748 | 796,882 |
| LONG-TERM DEBT | <u>2,489,461</u> | <u>2,639,774</u> |
| Total liabilities | <u>3,320,209</u> | <u>3,436,656</u> |
| NET ASSETS | | |
| Unrestricted: | | |
| Board designated | 907,000 | 904,000 |
| Donated food | 2,199,592 | 1,689,284 |
| Invested in property and equipment | 5,553,762 | 6,192,071 |
| Undesignated | <u>1,174,430</u> | <u>909,470</u> |
| Total unrestricted | 9,834,784 | 9,694,825 |
| Temporarily restricted | <u>514,101</u> | <u>438,964</u> |
| Total net assets | <u>10,348,885</u> | <u>10,133,789</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 13,669,094</u> | <u>\$ 13,570,445</u> |

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

| | 2017 | | | | | | | 2016 Total |
|--|--------------|-----------------|---------------|------------------------|------------|------------|---------------|---------------|
| | Unrestricted | | | Temporarily Restricted | | | Total | |
| | Operating | Donated Food | Total | Disaster Relief | Other | Total | | |
| REVENUES AND SUPPORT | | | | | | | | |
| Contributions and grants | \$ 4,956,266 | \$ 38,230,353 | \$ 43,186,619 | | \$ 407,449 | \$ 407,449 | \$ 43,594,068 | \$ 39,314,094 |
| Operations income | 1,700,479 | | 1,700,479 | | | - | 1,700,479 | 1,683,813 |
| Investment income | 4,053 | | 4,053 | | | - | 4,053 | 2,300 |
| Net assets released from restrictions: | 332,312 | | 332,312 | \$ (7,882) | (324,430) | (332,312) | | |
| Total revenues and support | 6,993,110 | 38,230,353 | 45,223,463 | (7,882) | 83,019 | 75,137 | 45,298,600 | 41,000,207 |
| EXPENSES | | | | | | | | |
| Program services: | | | | | | | | |
| Warehousing and distribution of food | 5,366,263 | 37,720,045 | 43,086,308 | | | - | 43,086,308 | 38,848,880 |
| Support services: | | | | | | | | |
| Development | 1,052,441 | | 1,052,441 | | | - | 1,052,441 | 1,025,156 |
| General and administrative | 757,732 | | 757,732 | | | - | 757,732 | 864,664 |
| Total expenses | 7,176,436 | 37,720,045 | 44,896,481 | - | - | - | 44,896,481 | 40,738,700 |
| CHANGE IN NET ASSETS FROM OPERATIONS | (183,326) | 510,308 | 326,982 | (7,882) | 83,019 | 75,137 | 402,119 | 261,507 |
| NON-OPERATING EXPENSES, NET | 187,023 | | 187,023 | | | | 187,023 | 33,464 |
| CHANGE IN NET ASSETS | (370,349) | 510,308 | 139,959 | (7,882) | 83,019 | 75,137 | 215,096 | 228,043 |
| NET ASSETS, Beginning of year | 8,005,541 | 1,689,284 | 9,694,825 | 145,266 | 293,698 | 438,964 | 10,133,789 | 9,905,746 |
| NET ASSETS, End of year | \$ 7,635,192 | \$ 2,199,592 | \$ 9,834,784 | \$ 137,384 | \$ 376,717 | \$ 514,101 | \$ 10,348,885 | \$ 10,133,789 |

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

| | 2017 | | | 2016 Total | |
|--------------------------------|----------------------|---------------------|------------------------------------|----------------------|----------------------|
| | Program | Development | General and Admin- istrative | | Total |
| EXPENSES | | | | | |
| Donated distributions | \$ 37,720,045 | | | \$ 37,720,045 | \$ 33,915,700 |
| Salaries and related | 1,671,625 | \$ 391,867 | \$ 422,639 | 2,486,131 | 2,349,942 |
| Food purchase program | 1,862,917 | | | 1,862,917 | 1,842,092 |
| Donated food acquisition | 542,597 | | | 542,597 | 578,206 |
| Depreciation and amortization | 311,292 | 17,294 | 17,294 | 345,880 | 438,226 |
| Printing | 1,720 | 327,884 | 355 | 329,959 | 199,076 |
| Transportation | 302,778 | | | 302,778 | 275,277 |
| Occupancy | 190,925 | 8,186 | 7,313 | 206,424 | 165,885 |
| Interest expense | 97,383 | 3,975 | 97,383 | 198,740 | 112,205 |
| Equipment rent and maintenance | 111,667 | 18,306 | 53,087 | 183,060 | 136,485 |
| Supplies | 131,743 | 2,279 | 17,865 | 151,887 | 146,513 |
| Postage | 72 | 97,204 | 5,554 | 102,830 | 106,631 |
| Advertising and promotions | 431 | 99,971 | 377 | 100,779 | 120,625 |
| Professional fees | 30,149 | 13,309 | 42,183 | 85,641 | 74,105 |
| Field expense | 40,920 | 4,615 | 9,686 | 55,221 | 54,065 |
| Insurance | 42,641 | 5,330 | 5,330 | 53,301 | 57,751 |
| Organizational expenses | 6,069 | 7,103 | 16,721 | 29,893 | 30,235 |
| Telephone | 8,908 | 8,908 | 8,908 | 26,725 | 31,029 |
| Professional development | 2,844 | 3,590 | 9,547 | 15,981 | 22,296 |
| Food bank fees | 8,711 | | | 8,711 | 11,861 |
| Miscellaneous | 871 | 42,620 | 43,490 | 86,981 | 70,495 |
| TOTAL | <u>\$ 43,086,308</u> | <u>\$ 1,052,441</u> | <u>\$ 757,732</u> | <u>\$ 44,896,481</u> | <u>\$ 40,738,700</u> |
| PERCENT OF TOTAL | <u>96%</u> | <u>2%</u> | <u>2%</u> | <u>100%</u> | |
| TOTAL – 2016 | <u>\$ 38,848,880</u> | <u>\$ 1,025,156</u> | <u>\$ 864,664</u> | | <u>\$ 40,738,700</u> |
| PERCENT OF TOTAL – 2016 | <u>95%</u> | <u>3%</u> | <u>2%</u> | | <u>100%</u> |

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

| | 2017 | 2016 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 215,096 | \$ 228,043 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 345,880 | 438,226 |
| Gain on disposal of property and equipment | (1,000) | |
| Loss on impairment of property and equipment | 136,139 | |
| Changes in operating assets and liabilities: | | |
| Accounts and grants receivable | 65,528 | 23,748 |
| Pledges receivable | (66,679) | (6,398) |
| Inventories | (640,123) | (26,272) |
| Other assets | 69,317 | 17,381 |
| Accounts payable and accrued expenses | <u>15,811</u> | <u>174,941</u> |
| Net cash provided by operating activities | <u>139,969</u> | <u>849,669</u> |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (358,142) | (350,135) |
| Proceeds from insurance on impairment of property and equipment | 657,226 | |
| Proceeds from sale of property and equipment | <u>1,000</u> | <u> </u> |
| Net cash provided by (used in) investing activities | <u>300,084</u> | <u>(350,135)</u> |
| FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | (167,858) | (153,300) |
| Proceeds from issuance of long-term debt | <u> </u> | <u>110,000</u> |
| Net cash used in financing activities | <u>(167,858)</u> | <u>(43,300)</u> |
| NET INCREASE IN CASH AND EQUIVALENTS | 272,195 | 456,234 |
| CASH AND EQUIVALENTS, Beginning of year | <u>1,963,359</u> | <u>1,507,125</u> |
| CASH AND EQUIVALENTS, End of year | <u>\$ 2,235,554</u> | <u>\$ 1,963,359</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for interest | <u>\$ 126,444</u> | <u>\$ 112,953</u> |
| Note payable issued for purchase of property and equipment | <u>\$ 35,600</u> | <u>\$ 144,120</u> |
| Development Revenue Bond repaid through issuance of note payable | <u>\$ 2,360,000</u> | |

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Care and Share, Inc. (Care and Share) provides resources to feed people in need. As a regional food bank, Care and Share 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, 2017 and 2016, Care and Share served approximately 300 non-profit feeding programs throughout Care and Share's thirty-one county service area in southern Colorado.

Care and Share formed GoalZero Recycling, Inc. (GoalZero), a wholly owned for-profit entity during the year ended June 30, 2016. GoalZero provides recycling of food waste in addition to recycling of items such as cardboard, shrink wrap and pallets. Subsequent to year end management decided to terminate GoalZero as of September 30, 2017. Certain activities at GoalZero will be continued by Care and Share.

Principles of Consolidation — The consolidated financial statements include the accounts of Care and Share and its wholly-owned subsidiary, GoalZero (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

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, 2016, 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, 2017 and 2016, 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 and general economic conditions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories — Inventories consist of donated food products and purchased food. Donated food is valued at its estimated wholesale value of \$1.67 and \$1.70 per pound as of June 30, 2017 and 2016, respectively. Purchased food is recorded at cost.

During the year ended June 30, 2017, the Organization adopted a new accounting policy relating to the valuation of United States Department of Agriculture (USDA) commodities. The Organization began valuing USDA donated food at the Feeding America reported valuation of commodities which is consistent with how the Organization values all other donated food. The Organization had previously valued the food products received from the USDA at the USDA reported cost of the commodities. This change provides added efficiencies for the Organization. The result of this change was to increase the value of the USDA commodities on hand by \$585,000.

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 \$5,000 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 — Care and Share is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction.

GoalZero is a C Corporation and is subject to income taxes. GoalZero accounts for income taxes using the net asset and liability method and recognizes the tax consequences of temporary differences by applying enacted statutory tax rates applicable for future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Goal Zero incurred a net loss of \$187,023 and \$33,464 during the years ended June 30, 2017 and 2016, respectively. Management does not believe any net loss would be recoverable and therefore has not recorded any deferred tax assets.

The Organization accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization believes that it does not have any uncertain tax positions that are material to the financial statements. The Care and Share income tax returns for 2014 through the current period and GoalZero's 2017 income tax return 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.

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:

| | 2017 | 2016 |
|-------------------------------------|-------------------|-------------------|
| Due in less than one year | \$ 227,820 | \$ 152,842 |
| Allowance for uncollectible amounts | <u>(23,782)</u> | <u>(15,483)</u> |
| Total | <u>\$ 204,038</u> | <u>\$ 137,359</u> |

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | 2017 | 2016 |
|-------------------------------|---------------------|---------------------|
| Land and buildings | \$ 8,921,543 | \$ 9,743,730 |
| Furnishings and equipment | <u>2,571,359</u> | <u>2,396,911</u> |
| Total | 11,492,902 | 12,140,641 |
| Less accumulated depreciation | <u>3,367,491</u> | <u>3,244,663</u> |
| Property and equipment, net | <u>\$ 8,125,411</u> | <u>\$ 8,895,978</u> |

During the year ended June 30, 2017, the Colorado Springs building incurred hail damage resulting in the building's roof requiring replacement. The Organization received insurance proceeds of \$657,226 and incurred a net loss on the transaction of \$136,139, which is recorded in operations income in the Statement of Activities. Insurance proceeds are shown as cash held for building repairs on the consolidated balance sheet.

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 as follows at June 30:

| | 2017 | 2016 |
|--------------------|-------------------|-------------------|
| Operating reserves | \$ 797,000 | \$ 794,000 |
| GoalZero | <u>110,000</u> | <u>110,000</u> |
| Total | <u>\$ 907,000</u> | <u>\$ 904,000</u> |

5. TEMPORARILY RESTRICTED NET ASSETS

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

| | 2017 | 2016 |
|-------------------|-------------------|-----------------------------|
| Time restricted | \$ 227,820 | \$ 218,698 |
| Disaster relief | 137,384 | 145,266 |
| Within Reach | 62,500 | 75,000 |
| Starbucks | 41,000 | |
| SNAP | 26,700 | |
| Pueblo operations | <u>18,697</u> | <u> </u> |
| Total | <u>\$ 514,101</u> | <u>\$ 438,964</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 and other disaster relief efforts.

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, 2017 was \$ 38,230,353 and \$ 37,720,045, respectively.

For the years ended June 30, 2017 and 2016, the Organization recorded other donated goods and services totaling \$30,114 and \$159,017, respectively. Of the donated items no amounts were capitalized during the year ended June 30, 2017 and \$144,000 was capitalized during the year ended June 30, 2016. All other amounts were expensed.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 48,692 and 46,237 volunteer hours during fiscal years ended June 30, 2017 and 2016, respectively, with an estimated value of \$1,175,000 and \$1,090,000, 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:

| | 2017 | 2016 |
|--|--------------|-------------|
| Loan issued by a bank bearing interest at 3.125%, payable in monthly payments of \$16,486, matures on June 25, 2032 and secured by a deed of trust on land and a building located in Colorado Springs, recorded at \$6,474,546, net of depreciation. | \$ 2,360,000 | |

| | 2017 | 2016 |
|--|-----------------------------|---------------------|
| Unsecured loans issued by three private foundations bearing interest at 2.00%, interest payable annually and principal payable at maturity on December 31, 2018. | 110,000 | \$ 110,000 |
| Loan issued by a bank bearing interest at 2.90%, payable in monthly payments of \$2,642, matures on January 1, 2021, and secured by 1 st lien on specified property and equipment, recorded at \$92,809, net of depreciation. | 104,441 | 132,623 |
| 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 1 st lien on a semi-tractor, recorded at \$79,333, net of depreciation. | 76,623 | 101,242 |
| Loan issued by a bank bearing interest at 2.90%, payable in monthly payments of \$639 matures on September 22, 2021, and secured by 1 st lien on specified equipment, recorded at \$37,825 net of depreciation. | 30,585 | |
| Development Revenue Bond issued by El Paso County, Colorado Housing Authority bore interest at 3.80%. During the year ended June 30, 2017 this bond was fully repaid. | <u> </u> | <u>2,470,042</u> |
| Total | 2,681,649 | 2,813,907 |
| Less current portion | <u>192,188</u> | <u>174,133</u> |
| Long-term portion | <u>\$ 2,489,461</u> | <u>\$ 2,639,774</u> |

Required annual minimum principal payments are as follows as of June 30, 2017:

| | |
|------------|---------------------|
| 2018 | \$ 192,188 |
| 2019 | 296,750 |
| 2020 | 196,034 |
| 2021 | 159,566 |
| 2022 | 143,638 |
| Thereafter | <u>1,693,473</u> |
| Total | <u>\$ 2,681,649</u> |

The Organization has a \$500,000 line of credit with a bank that matures on June 1, 2018. The line of credit bears interest at the Wall Street Journal Prime Rate less .25% with a floor of 3.25% (4% as of June 30, 2017) and is secured by all inventory, accounts and general intangible of the Organization. No amounts were outstanding on the line of credit as of June 30, 2017.

8. OPERATING LEASES

The Organization leases office equipment and trucks under the terms of non-cancellable operating leases, expiring through fiscal year 2020.

Future minimum annual lease payments are as follows:

| | |
|-------|-------------------|
| 2018 | \$ 68,577 |
| 2019 | 54,683 |
| 2020 | <u>22,932</u> |
| Total | <u>\$ 146,192</u> |

Rent expense on the leases above was \$41,145 and \$8,313 during the years ended June 30, 2017 and 2016, 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, 2017, the Organization's bank accounts exceeded FDIC limits by, approximately 1,470,000.

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 Internal Revenue Code. The Organization did not contribute to the Plan during the years ended June 30, 2017 and 2016.