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STOCKMAN KAST RYAN + COMPANY

CARE AND SHARE, INC.

Financial Statements

For the Year Ended June 30, 2020

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, 2020, 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, 2020 and the change in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020 the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended June 30, 2020. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Organization 's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

September 23, 2020

CARE AND SHARE, INC.

BALANCE SHEET
JUNE 30, 2020 (with comparative totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,875,501	$ 1,130,608
Accounts and grants receivable	555,659	933,696
Pledges receivable, net	23,978	117,972
Inventories	3,354,424	2,523,805
Prepaid expenses	87,287	45,113
Total current assets	9,896,849	4,751,194
INVESTMENTS	316,582	
PROPERTY AND EQUIPMENT, NET	8,899,228	8,627,075
TOTAL ASSETS	$ 19,112,659	$ 13,378,269
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 413,929	$ 216,320
Accrued expenses	438,611	398,248
Current portion of long-term debt	407,050	188,530
Total current liabilities	1,259,590	803,098
LONG-TERM DEBT	2,159,732	1,990,525
Total liabilities	3,419,322	2,793,623
NET ASSETS		
Without donor restrictions:		
Donated food	3,135,738	2,186,173
Invested in property and equipment	6,911,946	6,451,263
Board designated for endowment	619,505	52,000
Undesignated	4,062,470	1,327,452
Total without donor restrictions	14,729,659	10,016,888
With donor restrictions	963,678	567,758
Total net assets	15,693,337	10,584,646
TOTAL LIABILITIES AND NET ASSETS	$ 19,112,659	$ 13,378,269

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020							
	Without Donor Restrictions			With Donor Restrictions				
	Operating	Donated Food	Total	Disaster Relief	Other	Total	Total	2019 Total
REVENUES AND SUPPORT								
Contributions and grants	$ 9,078,645	$ 44,198,351	$ 53,276,996	$ 1,977,368	$ 390,932	$ 2,368,300	$ 55,645,296	$ 46,606,445
Operations income	1,572,099		1,572,099			—	1,572,099	2,035,079
Investment income	16,636		16,636			—	16,636	3,942
Net assets released from restrictions	1,972,380		1,972,380	$ (1,309,137)	(663,243)	(1,972,380)	—	—
Total revenues and support	12,639,760	44,198,351	56,838,111	668,231	(272,311)	395,920	57,234,031	48,645,466
EXPENSES								
Program services:								
Warehousing and distribution of food	7,062,460	43,248,786	50,311,246			—	50,311,246	46,475,174
Support services:								
Development	987,309		987,309			—	987,309	1,166,365
General and administrative	826,785		826,785			—	826,785	730,355
Total expenses	8,876,554	43,248,786	52,125,340	—	—	—	52,125,340	48,371,894
CHANGE IN NET ASSETS	3,763,206	949,565	4,712,771	668,231	(272,311)	395,920	5,108,691	273,572
NET ASSETS, Beginning of year	7,830,715	2,186,173	10,016,888	—	567,758	567,758	10,584,646	10,311,074
NET ASSETS, End of year	$ 11,593,921	$ 3,135,738	$ 14,729,659	$ 668,231	$ 295,447	$ 963,678	$ 15,693,337	$ 10,584,646

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020				
	Program	Development	General and Admin-istrative	Total	2019
EXPENSES					
Donated distributions	$ 43,248,786			$ 43,248,786	$39,847,310
Salaries and related expenses	2,409,334	$ 491,490	$ 488,581	3,389,405	3,185,640
Food purchase program	2,560,108			2,560,108	2,283,399
Donated food acquisition	492,763			492,763	729,202
Transportation	420,160			420,160	340,971
Depreciation and amortization	371,327	7,259	10,879	389,465	369,234
Occupancy	223,363	5,280	23,462	252,105	233,567
Printing	1,789	226,713		228,502	210,536
Equipment lease and maintenance	160,551	18,687	18,687	197,925	170,596
Supplies	155,443	3,295	8,562	167,300	155,927
Professional fees	37,821	42,970	56,725	137,516	97,148
Postage	3,867	118,857	457	123,181	154,226
Bank and charge card fees			92,146	92,146	34,539
Insurance	56,302	10,237	10,236	76,775	73,096
Interest expense	64,640	1,263	1,894	67,797	72,046
Advertising and promotions	13,301	41,972	9	55,282	117,559
Telephone	41,730	6,230	6,230	54,190	33,492
Organizational expenses	12,153	7,696	31,244	51,093	41,424
Miscellaneous	37,808	5,360	77,673	120,841	221,982
TOTAL	$ 50,311,246	$ 987,309	$ 826,785	$ 52,125,340	$48,371,894
PERCENT OF TOTAL	97%	2%	1%	100%	
TOTAL – 2019	$ 46,475,174	$ 1,166,365	$ 730,355		$48,371,894
PERCENT OF TOTAL – 2019	96%	2%	2%		100%

See notes to financial statements.

CARE AND SHARE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 5,108,691	$ 273,572
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	389,465	369,234
Realized and unrealized gains on investments	(11,477)	
Loss on disposal of property and equipment	3,961	79,846
Changes in operating assets and liabilities:		
Accounts and grants receivable	378,037	(341,630)
Pledges receivable	93,994	67,379
Inventories	(830,619)	(228,761)
Other assets	(42,174)	13,745
Accounts payable and accrued expenses	237,972	(44,733)
Net cash provided by operating activities	5,327,850	188,652
INVESTING ACTIVITIES		
Purchases of property and equipment	(680,731)	(708,920)
Proceeds from sale of property and equipment	15,152	4,000
Purchases of investments	(305,105)	
Net cash used in investing activities	(970,684)	(704,920)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(191,773)	(185,081)
Proceeds from issuance of long-term debt	579,500	
Net cash provided by (used in) financing activities	387,727	(185,081)
NET CHANGE IN CASH AND EQUIVALENTS	4,744,893	(701,349)
CASH AND EQUIVALENTS, Beginning of year	1,130,608	1,831,957
CASH AND EQUIVALENTS, End of year	$ 5,875,501	$ 1,130,608
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 67,797	$ 72,046

See 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, 2020 and 2019, the Organization served approximately 346 and 267 non-profit feeding programs, respectively, 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, 2019, from which the summarized information was derived.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and 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.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Net investment return consists of interest and dividend income, and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. See Note 4 for more information on fair values of investments.

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, 2020 and 2019, 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, purchased food and government food commodities. Donated food is valued at its estimated wholesale value of $1.62 and $1.68 per pound as of June 30, 2020 and 2019, respectively. Government commodities are valued at their estimated wholesale value of $1.52 and $1.57 per pound as of June 30, 2020 and 2019, respectively. Purchased food is recorded at cost.

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 39 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 with or without donor restrictions depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Contributions restricted specifically for disaster relief efforts are recorded as with donor restrictions even if the restriction is met in the same year. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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.

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

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

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.

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.

Change in Accounting Principles — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principles of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2020, management adopted ASU 2014-09 using the modified retrospective method of transition. Management performed an analysis of revenue streams and transactions under ASU 2014-09. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 had no net impact on excess of revenues over expenses or total net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During 2020, management adopted ASU 2018-08 using the modified prospective method of transition. The impact of adopting ASU 2018-08 had no net impact on excess of revenues over expenses or total net assets.

Revenue and Cost Recognition on Contracts — On July 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 606, *Revenue from Contracts with Customers (Topic 606)*, which requires the company to recognize revenues by applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, if applicable; and (5) recognize revenue when (or as) the performance obligation is satisfied.

The Organization's contract revenue is recognized pursuant to contracts under which the Organization typically has a single performance obligation to transfer to the customer a distinct good. The Organization recognizes revenue at the time the performance obligations are satisfied.

Government Grants — Revenue from government grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreement. Grants receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

The Organization is electing the simultaneous release option practical expedient to allow donor-restricted conditional grants that are recognized and used with the same reporting period as if they were unrestricted, without having to the change the reporting of donor-restricted activity. The Organization had a conditional promise of $130,419 at June 30, 2020, representing federal award grants to be recognized in future periods as the Organization incurs outlays eligible for reimbursement under the grant agreements.

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. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has $5,215,179 of financial assets available within one year as of June 30, 2020 to meet cash needs for general expenditures consisting of cash of $5,255,996, excluding board designated endowment of $619,505, investments of $316,582, contributions and grants receivable of $405,752, and trade receivables of $173,885. Financial assets of $937,036 are subject to donor restriction. The Organization has $1,691,376 of financial assets available within one year as of June 30, 2019 to meet cash needs for general expenditures consisting of cash of $1,078,608, excluding board designated endowment of $52,000, contributions and grants receivable of $787,369, and trade receivables of $264,299. Financial assets of $438,900 are subject to donor restriction.

The Organization anticipates releasing the donor restricted funds through general expenditures and capital purchases. The contributions and trade receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash on hand and available line of credit, to meet 90 days of normal operating expense, which are, on average, approximately $2,000,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note 10, the Organization has lines of credit in the amount of $1,000,000 which it could draw upon in the event of an additional liquidity need.

3. FUNCTIONAL EXPENSE ALLOCATION METHODS

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, which is allocated based on a time and effort study, telephone and insurance, which are allocated based on full time equivalents by function, occupancy, which is allocated based on square footage, and depreciation and interest expense, which is allocated based on a ratio of functional expenses to total expenses.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Exchange Traded Products **—** Fair value is determined principally through quoted market prices in active markets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis stated at fair value as of June 30, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Exchange traded products	$ 269,530			$ 269,530
Money market accounts	47,052			47,052
Total in fair value hierarchy	$ 316,582	$ —	$ —	$ 316,582

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one fair value level to another.

Investment income consists of the following for the year ended June 30:

	2020	2019
Net realized and unrealized gains	$ 11,477	
Dividends and interest	5,159	$ 3,942
Total investment income, net	$ 16,636	$ 3,942

5. PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

	2020	2019
Due in less than one year	$ 26,642	$ 128,858
Allowance for uncollectible amounts	(2,664)	(10,886)
Total	$ 23,978	$ 117,972

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2020	2019
Buildings	$ 7,851,375	$ 7,740,110
Land	1,997,071	1,997,071
Furnishings and equipment	3,219,711	2,803,045
Total	13,068,157	12,540,226
Less accumulated depreciation	4,168,929	3,913,151
Property and equipment, net	$ 8,899,228	$ 8,627,075

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Restricted as to purpose:		
COVID-19 pandemic	$ 668,231	
Technology upgrades	192,448	$ 350,000
Other	26,357	88,900
Time restricted	26,642	128,858
Total	913,678	567,758
Endowment funds to be held indefinitely	50,000	
Total net assets with donor restrictions	$ 963,678	$ 567,758

Endowment fund assets are to be held indefinitely. The income from the assets is to be used for the benefit of the Organization.

During 2020, the Colorado Springs area was affected by the COVID-19 Pandemic. In response to the pandemic, the Colorado Springs community contributed significant amounts of food, other in-kind items and cash to be used for relief efforts.

8. ENDOWMENT FUNDS

The Organization's endowment funds include both donor restricted funds and funds designated by the Board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The act provides statutory guidance for management investment and expenditure of endowment funds held by not-for-profit organizations. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Organization and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation

5) The expected total return from income and the appreciation of investments
6) Other resources of the Organization
7) The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds		$ 50,000	$ 50,000
Board-designated endowment funds	$ 619,505		619,505
Total funds	$ 619,505	$ 50,000	$ 669,505

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, Beginning of year	$ 52,000		$ 52,000
Contributions		50,000	50,000
Board designation of net assets without donor restriction	567,505		567,505
Endowment net assets, End of year	$ 619,505	$ 50,000	$ 669,505

Net assets with donor restrictions

The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 50,000

Endowment net asset composition by type of fund as of June 30, 2019 consists solely of board-designated endowment funds of $52,000 of net assets designated to the Fund during the year ended June 30, 2019.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

9. 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, 2020 was $44,198,351 and $43,248,786, respectively.

For the years ended June 30, 2020 and 2019, the Organization recorded other donated goods and services totaling $5,354 and $37,486, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 44,306 and 50,108 volunteer hours during the years ended June 30, 2020 and 2019, respectively, with an estimated value of $1,307,027 and $1,274,246, 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.

10. LONG-TERM DEBT

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

	2020	2019
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 $6,816,708, net of depreciation.	$ 1,972,524	$ 2,105,394
Loan issued by a bank bearing interest at 1%, in the aggregate amount of $579,500, pursuant to the Paycheck Protection Program (the PPP), of the CARES Act, matures on April 13, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 1, 2020. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company intends to use the entire Loan amount for qualifying expenses.	579,500	
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 1st lien on specified property and equipment, recorded at $28,727, net of depreciation.	14,758	45,533
Other		28,128
Total	2,566,782	2,179,055
Less current portion	407,050	188,530
Long-term portion	$ 2,159,732	$ 1,990,525

Required annual minimum principal payments are as follows as of June 30, 2020:

2021	$ 407,050
2022	466,258
2023	146,289
2024	150,865
2025	155,842
Thereafter	1,240,478
Total	$ 2,566,782

The Organization has a $750,000 line of credit with a credit union with a maturity date of March 1, 2023. The line of credit bears interest at the Wall Street Journal Prime Rate less .25% with a floor of 3.25% (3.25% as of June 30, 2020) and is secured by all inventory, accounts and general intangibles of the Organization. No amounts were outstanding on the line of credit as of June 30, 2020 and 2019.

The Organization also has a $250,000 line of credit with a credit union that matures on March 1, 2023. The line of credit bears interest at the Wall Street Journal Prime Rate less .25% with a floor of 3.25% (3.25% as of June 30, 2020) and is secured by a 2nd deed of trust on land and a building located in Colorado Springs, recorded at $6,816,708, net of depreciation. No amounts were outstanding on the line of credit as of June 30, 2020 and 2019.

11. OPERATING LEASES

The Organization leases office equipment and trucks under the terms of non-cancellable operating leases, expiring through fiscal year 2024.

Future minimum annual lease payments are as follows:

2021	$ 67,283
2022	15,107
2023	6,997
2024	583
Total	$ 89,970

Rent expense on the leases above was $65,521 and $59,246 during the years ended June 30, 2020 and 2019, respectively.

12. 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, 2020, the Organization's bank accounts exceeded FDIC limits by approximately $66,606.

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.

13. 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. During the year ended June 30, 2018, the Organization began matching employee contributions to the plan up to 3% of each employee's compensation. Employer contributions were $38,534 and $45,365 during the years ended June 30, 2020 and 2019, respectively.

14. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.