

**Dare to Care, Inc.**  
**Financial Statements**  
**June 30, 2017 and 2016**

**Dare to Care, Inc.**

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June 30, 2017 and 2016

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## **Independent Auditor's Report**

To the Board of Directors  
Dare to Care, Inc.  
Louisville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Dare to Care, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

**Kentucky**  
**Indiana**  
**Ohio**

**Mountjoy Chilton Medley LLP**

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## **Independent Auditor's Report (Continued)**

### **Opinion**

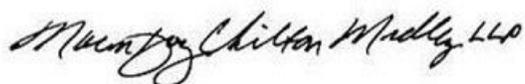
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dare to Care, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues and expenses on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 20 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of Dare to Care, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dare to Care, Inc.'s internal control over financial reporting and compliance.



Mountjoy Chilton Medley LLP  
Louisville, Kentucky  
September 25, 2017

**Dare to Care, Inc.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,435,819	\$ 1,438,173
Accounts receivable	7,845	6,016
Contributions and grants receivable	990,123	1,275,732
Inventory	3,561,670	4,869,001
Prepaid expenses and other current assets	<u>28,082</u>	<u>44,106</u>
Total current assets	7,023,539	7,633,028
Investments	6,090,652	5,845,030
Contributions and grants receivable, less current portion	483,792	-
Property and equipment, net	<u>2,078,045</u>	<u>2,454,833</u>
Total assets	<u>\$ 15,676,028</u>	<u>\$ 15,932,891</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 85,159	\$ 149,219
Accrued expenses and other current liabilities	<u>98,166</u>	<u>104,000</u>
Total current liabilities	<u>183,325</u>	<u>253,219</u>
Net assets		
Unrestricted - undesignated	14,160,290	13,962,332
Unrestricted - Board designated	235,000	242,000
Unrestricted - Board designated endowment	<u>54,589</u>	<u>-</u>
Total unrestricted net assets	14,449,879	14,204,332
Temporarily restricted	<u>1,042,824</u>	<u>1,475,340</u>
Total net assets	<u>15,492,703</u>	<u>15,679,672</u>
Total liabilities and net assets	<u>\$ 15,676,028</u>	<u>\$ 15,932,891</u>

See accompanying notes

**Dare to Care, Inc.**  
**Statements of Activities**  
**Years ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue						
Contributions and grants	\$ 5,813,963	\$ 1,767,749	\$ 7,581,712	\$ 4,612,069	\$ 1,800,766	\$ 6,412,835
Donations of food and commodities	34,698,943	-	34,698,943	34,395,380	-	34,395,380
In-kind donations for fundraising	111,464	-	111,464	147,273	-	147,273
Special events	452,344	-	452,344	475,273	-	475,273
Other revenues	168,641	-	168,641	148,519	-	148,519
Income from investments	144,728	-	144,728	154,060	-	154,060
Net realized gain on investments	74,347	-	74,347	104,690	-	104,690
Net unrealized gain (loss) on investments	306,539	-	306,539	(137,086)	-	(137,086)
	<u>41,770,969</u>	<u>1,767,749</u>	<u>43,538,718</u>	<u>39,900,178</u>	<u>1,800,766</u>	<u>41,700,944</u>
Net assets released from restrictions	<u>2,200,265</u>	<u>(2,200,265)</u>	<u>-</u>	<u>1,583,696</u>	<u>(1,583,696)</u>	<u>-</u>
Total support and revenue	<u>43,971,234</u>	<u>(432,516)</u>	<u>43,538,718</u>	<u>41,483,874</u>	<u>217,070</u>	<u>41,700,944</u>
Expenses and losses						
Program services	41,173,624	-	41,173,624	38,483,605	-	38,483,605
Administration	720,889	-	720,889	748,230	-	748,230
Fundraising	1,682,814	-	1,682,814	1,748,403	-	1,748,403
Impairment loss	148,360	-	148,360	-	-	-
Total expenses and losses	<u>43,725,687</u>	<u>-</u>	<u>43,725,687</u>	<u>40,980,238</u>	<u>-</u>	<u>40,980,238</u>
Change in net assets	245,547	(432,516)	(186,969)	503,636	217,070	720,706
Net assets, beginning of year	<u>14,204,332</u>	<u>1,475,340</u>	<u>15,679,672</u>	<u>13,700,696</u>	<u>1,258,270</u>	<u>14,958,966</u>
Net assets, end of year	<u>\$ 14,449,879</u>	<u>\$ 1,042,824</u>	<u>\$ 15,492,703</u>	<u>\$ 14,204,332</u>	<u>\$ 1,475,340</u>	<u>\$ 15,679,672</u>

See accompanying notes

**Dare to Care, Inc.**  
**Statements of Functional Expenses**  
**Years ended June 30, 2017 and 2016**

	<b>2017</b>					
	Program services			Supporting services		Total
	Food bank and emergency food	Community Kitchen	Kid's Café and backpack programs	Administration	Fundraising	
Distribution of food and commodities	\$ 36,519,044	\$ 537,386	\$ 453,698	\$ -	\$ -	\$ 37,510,128
Salaries/wages and benefits	1,328,847	325,021	90,591	505,218	397,632	2,647,309
Payroll taxes	98,770	19,154	8,863	34,102	24,070	184,959
Special events	-	-	-	-	350,330	350,330
Public relations	7,419	2,167	-	176	856,086	865,848
Rent	195,238	28,200	-	-	-	223,438
Warehouse expenses	161,703	7,390	14,658	-	-	183,751
Freight	538,946	-	-	-	-	538,946
Truck expenses	60,616	7,309	6,699	-	-	74,624
Insurance	52,600	10,248	684	5,745	3,395	72,672
Utilities	90,880	26,112	839	5,523	3,314	126,668
Telephone	19,157	1,639	460	383	1,140	22,779
Repairs and maintenance	129,176	23,802	-	29,894	-	182,872
Supplies and other office expenses	8,637	5,037	90	10,124	1,049	24,937
Meetings, conferences, and travel	7,630	711	2,313	9,676	12,327	32,657
Memberships and subscriptions	13,127	776	-	17,325	643	31,871
Professional and consulting fees	19,221	-	146	32,104	20,368	71,839
Bank and investment fees	24,129	-	2,413	9,651	12,064	48,257
Other miscellaneous expenses	57,234	373	-	35,626	396	93,629
Depreciation	206,380	57,321	770	25,342	-	289,813
	<u>\$ 39,538,754</u>	<u>\$ 1,052,646</u>	<u>\$ 582,224</u>	<u>\$ 720,889</u>	<u>\$ 1,682,814</u>	<u>\$ 43,577,327</u>

See accompanying notes

**2016**

Food bank and emergency food	Program services		Supporting services		Total
	Community Kitchen	Kid's Café and backpack programs	Administration	Fundraising	
\$ 34,030,953	\$ 504,766	\$ 329,815	\$ -	\$ -	\$ 34,865,534
1,256,340	254,826	146,586	472,676	361,486	2,491,914
96,419	18,108	9,978	32,525	23,842	180,872
-	-	-	-	315,619	315,619
5,836	1,465	-	20,099	962,105	989,505
219,774	28,200	-	-	-	247,974
166,123	6,089	18,250	-	-	190,462
571,444	-	-	-	-	571,444
54,665	7,613	7,002	-	-	69,280
57,743	9,732	759	9,402	3,795	81,431
87,523	21,763	1,042	6,858	4,115	121,301
14,089	1,523	460	4,304	992	21,368
99,315	32,778	268	31,383	-	163,744
7,376	3,181	394	14,010	1,281	26,242
16,559	761	5,440	13,033	19,710	55,503
1,485	670	-	28,590	150	30,895
11,496	-	149	59,106	43,159	113,910
23,273	-	2,328	9,310	11,638	46,549
50,943	129	-	35,667	511	87,250
211,125	85,623	1,426	11,267	-	309,441
<u>\$ 36,982,481</u>	<u>\$ 977,227</u>	<u>\$ 523,897</u>	<u>\$ 748,230</u>	<u>\$ 1,748,403</u>	<u>\$ 40,980,238</u>

**Dare to Care, Inc.**  
**Statements of Cash Flows**  
**Years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (186,969)	\$ 720,706
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gains) losses on investments	(380,886)	32,396
Contributions and grants restricted for purchases of property and equipment	(10,000)	(67,700)
Donated property and equipment	-	(24,585)
Impairment loss on property and equipment	148,360	-
Loss on sales of property and equipment	-	14,759
Depreciation	289,813	309,441
Changes in assets and liabilities		
Accounts receivable	(1,829)	4,768
Contributions and grants receivable	(198,183)	(85,275)
Inventory	1,307,331	(1,035,608)
Prepaid expenses and other current assets	16,024	(2,064)
Accounts payable	(64,060)	83,970
Accrued expenses and other current liabilities	(5,834)	(29,493)
Net cash provided by (used in) operating activities	<u>913,767</u>	<u>(78,685)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,201,613	2,032,336
Proceeds from sales of property and equipment	-	57,000
Purchases of investments	(2,066,349)	(1,903,759)
Purchases of property and equipment	(61,385)	(427,422)
Net cash provided by (used in) investing activities	<u>73,879</u>	<u>(241,845)</u>
Cash flows from financing activities		
Proceeds from contributions and grants restricted for purchases of property and equipment	<u>10,000</u>	<u>67,700</u>
Change in cash and cash equivalents	997,646	(252,830)
Cash and cash equivalents, beginning of year	<u>1,438,173</u>	<u>1,691,003</u>
Cash and cash equivalents, end of year	<u>\$ 2,435,819</u>	<u>\$ 1,438,173</u>

See accompanying notes

**Dare to Care, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**Note A - Nature of Operations**

Dare to Care, Inc. (Organization) is a not-for-profit agency committed to leading Greater Louisville, Kentucky and Southern Indiana to feed the hungry and conquer the cycle of need. The Organization fulfills its mission by partnering with over 250 food pantries, shelters, and/or emergency kitchens throughout the community. The Organization is supported primarily through contributions, grants, and the receipts of donated food.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the sole source of authoritative GAAP.
2. Basis of Presentation: Financial statement presentation follows the recommendations of the FASB specifically as it pertains to financial statements of not-for-profit organizations. As such, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization or that expire through the passage of time. The Organization has not received any contributions or grants with donor imposed restrictions that would result in permanently restricted net assets as of year-end.
3. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. Cash and Cash Equivalents: The Organization considers all highly liquid instruments, not designated for investment purposes, with a maturity when purchased of three months or less to be cash equivalents.
5. Receivables: The Organization considers all accounts, contributions, and grants receivable to be fully collectible. Accordingly, no allowance for doubtful receivables is reflected in the accompanying financial statements. If amounts are subsequently determined to be uncollectible, they will be charged to operations when that determination is made.

When contribution or grant receivable amounts are expected to have collection periods in excess of a year, such amounts have been recorded after discounting them to the present value of future cash flows using a risk free interest rate.

6. Inventory: Inventory consists of food that has been donated, U.S. Department of Agriculture (USDA) commodities passed-through to the Organization by the Kentucky Department of Agriculture Division of Food Distribution and the Indiana State Department of Health, and food purchased by the Organization. Donated food and USDA commodities inventory (see Note D) is valued using the approximate average wholesale value per pound of donated product based on an annual study performed by Feeding America, a nationwide network of food banks and the leading domestic hunger-relief charity throughout the United States. Purchased food inventory is valued at cost determined on a first-in, first-out basis.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note B - Summary of Significant Accounting Policies (Continued)**

7. Investments: Investments are stated at fair value with gains and losses included in the change in net assets per the accompanying statements of activities. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

All investment securities are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risk. Due to the level of risk associated with all investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Investments are made by the investment manager and are monitored by the Organization's Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the Organization's investment policy is prudent for the long-term welfare of the Organization.

8. Property and Equipment, net: Property and equipment is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Donated property and equipment is reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment that is donated with explicit restrictions regarding the use of such assets and contributions and grants that must be used to purchase property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long donated property and equipment must be maintained, the Organization reports expirations of donor restrictions when the donated or purchased assets are placed into service.

The Organization generally capitalizes all expenditures for property and equipment exceeding \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. When applicable, property and equipment under capital leases are amortized in accordance with the Organization's normal depreciation policy for owned assets or over the lease term, if shorter, and the charge to operations is included in depreciation expense. Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred.

9. Contributions and Grants: Contributions and grants are recognized as revenue in the period received or unconditionally pledged and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions or grants whose restrictions are satisfied in the period the contribution or grant is received are reported as unrestricted. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.
10. Non-cash Contributions: Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. The Organization treats the non-cash donations of food and USDA commodities as unrestricted support.

Throughout the year individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received the benefit of approximately 53,000 and 50,000 volunteer hours during the years ended June 30, 2017 and 2016, respectively. Calculated at the federal minimum wage rate, the value of these volunteer hours totals approximately \$382,000 and \$359,000 for the years ended June 30, 2017 and 2016, respectively. Such volunteer services do not meet the requirements for recognition and, therefore, are not recorded in the accompanying financial statements.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note B - Summary of Significant Accounting Policies (Continued)**

11. Functional Allocation of Expenses: The costs of providing various programs and other activities are summarized on a functional basis in the accompanying statements of activities. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Administration expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.
12. Advertising Costs: The Organization expenses advertising costs, including media campaigns, as incurred. Such costs, which are largely reflected as fundraising expenses, total approximately \$273,700 and \$321,700 for the years ended June 30, 2017 and 2016, respectively.
13. Freight Costs: Freight costs, the costs associated with having food delivered to the Organization's warehouse, are expensed as incurred. Such costs total approximately \$538,900 and \$571,400 for the years ended June 30, 2017 and 2016, respectively.
14. Income Taxes: The Organization has been granted exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) as a non-profit organization that is not a private foundation. Accordingly, no provision or liability for federal income taxes has been included in the accompanying financial statements.

When applicable, the Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No such uncertain tax positions have been reflected in the accompanying financial statements.

15. Subsequent Events: The Organization has evaluated events occurring subsequent to year-end through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.
16. Recently Issued Accounting Standards Updates: In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes presentation and disclosure requirements for not-for-profit organizations to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users of the financial statements. This standard includes qualitative and quantitative requirements in the following areas: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and the availability of resources, and 5) presentation of operating cash flows. The provisions of ASU 2016-14 are effective for the year ending June 30, 2019. Early adoption is permitted.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the year ending June 30, 2020.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note B - Summary of Significant Accounting Policies (Continued)**

16. Recently Issued Accounting Standards Updates (Continued): In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, to improve financial reporting with respect to leasing transactions. ASU 2016-02 will require lessees to recognize a lease liability and a right-of-use asset with respect to all leases with terms of greater than twelve months. The lease liability will represent the lessee's obligation to make lease payments measured on a discounted basis, while the right-of-use asset will represent the lessee's right to use, or control use of, the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets or lease liabilities. The provisions of ASU 2016-02 are effective for the year ending June 30, 2021. Early adoption is permitted.

Management is currently evaluating these accounting standards updates and the related impact thereof on the Organization's financial statements.

**Note C - Concentrations**

At various times throughout the year the Organization maintains balances in excess of federally insured limits. The Organization's investments in money market funds are uninsured.

For 2017 and 2016, the \$500,000 and \$1,000,000 amounts received from Yum! Brands Foundation, Inc. (see Note K) represents 7% and 16%, respectively, of total contributions and grants revenue. At June 30, 2016, the related receivable due from Yum! Brands Foundation, Inc. represents 68% of total contributions and grants receivable. There is no contributions and grants receivable concentration from Yum! Brands Foundation at June 30, 2017.

At June 30, 2017, receivables from two grantors represent 70% of total contributions and grants receivable. There were no concentrations from other grantors at June 30, 2016.

For 2017 and 2016, approximately 21% and 25%, respectively, of total support and revenue consists of revenue from USDA commodities received.

**Note D - Inventory**

At June 30, 2017 and 2016, inventory consists of the following:

	<u>2017</u>	<u>2016</u>
Donated food	\$ 820,877	\$ 1,004,692
USDA commodities	2,574,889	3,611,485
Purchased food	<u>165,904</u>	<u>252,824</u>
	<u>\$ 3,561,670</u>	<u>\$ 4,869,001</u>

The majority of the food distributed by the Organization has been donated. The approximate average wholesale value of one pound of donated food at the national level was determined by Feeding America to be \$1.61 and \$1.70 for the years ended June 30, 2017 and 2016, respectively. Revenue from donated food received, as well as the related value of donated food distributed and the value of undistributed donated food inventory as of year end, are estimated by valuing the respective number of pounds at the per pound values.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note D - Inventory (Continued)**

The following table presents a summary of the approximate number of pounds and the estimated values of donated food received and distributed during the years ended June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Received	15,887,000	\$ 25,603,521	14,358,000	\$ 24,410,973
Distributed	15,962,000	\$ 25,785,070	14,495,000	\$ 24,650,868

The Organization also receives and distributes commodities it receives from the USDA under the Commodity Supplemental Food Program (CSFP) and the Emergency Food Assistance Program (TEFAP). In Kentucky, both federal programs are administered at the state level by the Kentucky Department of Agriculture Division of Food Distribution (Division). The USDA commodities are passed-through to the Organization by the Division to be distributed to the intended recipients.

In Indiana, TEFAP is administered at the state level by the Indiana State Department of Health.

CSFP provides a monthly box of nutritious food products to low-income elderly persons of at least sixty years of age. The food received under TEFAP is designated for non-profit agencies serving low-income individuals and families through their emergency meal and pantry programs. Generally each month the Division reimburses the Organization for the costs (not to exceed the total amount of costs under each program approved for a two-year period to the extent funds are available at the state level) associated with storing, transporting, and distributing these products based on the number of CSFP recipients served or the number of pounds of TEFAP food distributed.

The following table presents a summary of the approximate number of pounds and the estimated values of USDA commodities received and distributed during the years ended June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Received	5,641,000	\$ 9,095,422	5,873,000	\$ 9,984,407
Distributed	6,166,000	\$ 10,132,018	5,094,000	\$ 8,686,586

**Note E--Contributions and Grants Receivable**

At June 30, 2017 and 2016, contributions and grants receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Estimated to be collected in less than one year	\$ 990,123	\$ 1,275,732
Estimated to be collected in one to five years	<u>505,000</u>	<u>-</u>
	1,495,123	1,275,732
Less discounts to net present value	<u>21,208</u>	<u>-</u>
	<u>\$ 1,473,915</u>	<u>\$ 1,275,732</u>

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note F - Property and Equipment, net**

At June 30, 2017 and 2016, net property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 94,241	\$ 94,241
Buildings	2,461,578	2,448,826
Leasehold improvements	151,006	151,006
Warehouse equipment	722,089	722,089
Community Kitchen equipment	359,149	344,377
Office equipment, furniture, fixtures, and other	377,013	350,052
Vehicles	970,091	1,217,032
Construction in progress	<u>-</u>	<u>148,360</u>
	5,135,167	5,475,983
Accumulated depreciation	<u>(3,057,122)</u>	<u>(3,021,150)</u>
	<u>\$ 2,078,045</u>	<u>\$ 2,454,833</u>

Depreciation expense totals \$289,813 and \$309,441 for the years ended June 30, 2017 and 2016, respectively.

During 2017, the Organization's project to construct a new location for their operations has stalled due to funding issues. As of June 30, 2017, management deemed this project to be impaired as the Organization is not actively moving forward with the project at this time. The associated costs capitalized in 2016 consisting of architectural drawings and designs of \$148,360 have been recognized as an impairment loss during the year ended June 30, 2017.

**Note G - Board Designated Net Assets**

As of June 30, 2017 and 2016, the Organization's Board of Directors (Board) had designated \$235,000 and \$242,000, respectively, to be used for specific capital expenditures as submitted to and approved during the course of the budget process by the Board, the Finance Committee, and the Organization's Executive Director. Otherwise such Board designated funds may be used for program services as needed, when approved in the manner as indicated above. Such net assets were designated by the Board in March to be expended during the next fiscal year.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note H - Temporarily Restricted Net Assets**

At June 30, 2017 and 2016, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Time restriction	\$ 483,792	\$ -
Feeding Families program	386,000	348,000
Community Kitchen	87,000	120,000
Backpack program	60,882	89,140
New facility capital campaign	15,000	5,000
Purchasing/distribution of food	10,150	-
Yum! Brands Foundation, Inc. (see Note K)	-	869,707
Choose Healthy Options program	-	26,000
Summer Food Service Program for Children (federal program)	-	11,370
Other	-	6,123
	<u>\$ 1,042,824</u>	<u>\$ 1,475,340</u>

Net assets released from restrictions consist of the following with respect to the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Yum! Brands Foundation, Inc. (see Note K)	\$ 1,420,763	\$ 690,954
Feeding Families program	353,000	252,000
Backpack program	258,462	185,142
Community Kitchen	120,000	200,000
Choose Health Options program	26,000	-
Summer Food Service Program for Children	13,544	42,726
Other	6,631	55,339
Cooking Matters program	1,500	20,000
Equipment	365	9,135
Refrigerated truck	-	50,000
Adult meals and elderly services	-	43,242
New facility capital campaign	-	35,158
	<u>\$ 2,200,265</u>	<u>\$ 1,583,696</u>

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note I - Fair Value Measurements**

The ASC provides a framework for measuring fair value. That framework provides 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 as described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Unobservable inputs that are based on the Organization's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

The following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2017 and 2016.

*Money market funds:* Valued at the net asset value of the units held by the Organization at year-end.

*Fixed income securities:* Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

*Mutual funds:* Valued at the net asset value of the shares held by the Organization at year-end.

*Index and exchange traded funds:* Valued at the quoted market price of the shares held by the Organization at year-end.

*Equity securities:* Valued at the quoted market price of the shares held by the Organization at year-end.

*Funds held at the Louisville Community Foundation, Inc.:* The underlying assets of the funds are valued primarily at the closing price reported on the active market on which the individual securities are traded. The funds are valued at the Fund's share of the net asset value of the comingled underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note I - Fair Value Measurements (Continued)**

At June 30, 2017, assets carried at fair value on a recurring basis consist of investments as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 271,390	\$ -	\$ -	\$ 271,390
Fixed income securities				
Domestic and international corporate and other bonds	-	378,501	-	378,501
U.S. government/government agency obligations	<u>-</u>	<u>929,806</u>	<u>-</u>	<u>929,806</u>
	<u>-</u>	<u>1,308,307</u>	<u>-</u>	<u>1,308,307</u>
Mutual funds				
Fixed income	610,660	-	-	610,660
Equity	<u>774,576</u>	<u>-</u>	<u>-</u>	<u>774,576</u>
	<u>1,385,236</u>	<u>-</u>	<u>-</u>	<u>1,385,236</u>
Index and exchange traded funds	936,394	-	-	936,394
Equity securities				
Information technology	523,311	-	-	523,311
Health care	325,350	-	-	325,350
Financials	317,800	-	-	317,800
Consumer discretionary	229,306	-	-	229,306
Industrials	211,828	-	-	211,828
Consumer staples	170,411	-	-	170,411
Energy	156,150	-	-	156,150
Telecommunication services	65,970	-	-	65,970
Materials	92,571	-	-	92,571
Utilities	<u>42,039</u>	<u>-</u>	<u>-</u>	<u>42,039</u>
	<u>2,134,736</u>	<u>-</u>	<u>-</u>	<u>2,134,736</u>
Funds held at the Louisville Community Foundation, Inc. (Note J)	<u>-</u>	<u>54,589</u>	<u>-</u>	<u>54,589</u>
	<u>\$ 4,727,756</u>	<u>\$ 1,362,896</u>	<u>\$ -</u>	<u>\$ 6,090,652</u>

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note I - Fair Value Measurements (Continued)**

At June 30, 2016, assets carried at fair value on a recurring basis consist of investments as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 379,268	\$ -	\$ -	\$ 379,268
Fixed income securities				
Domestic and international corporate and other bonds	-	307,494	-	307,494
U.S. government/government agency obligations	<u>-</u>	<u>1,007,089</u>	<u>-</u>	<u>1,007,089</u>
	<u>-</u>	<u>1,314,583</u>	<u>-</u>	<u>1,314,583</u>
Mutual funds				
Fixed income	672,510	-	-	672,510
Equity	<u>619,114</u>	<u>-</u>	<u>-</u>	<u>619,114</u>
	<u>1,291,624</u>	<u>-</u>	<u>-</u>	<u>1,291,624</u>
Index and exchange traded funds	649,474	-	-	649,474
Equity securities				
Information technology	448,310	-	-	448,310
Health care	311,294	-	-	311,294
Financials	308,406	-	-	308,406
Consumer discretionary	262,163	-	-	262,163
Industrials	248,042	-	-	248,042
Consumer staples	191,052	-	-	191,052
Energy	176,542	-	-	176,542
Telecommunication services	90,618	-	-	90,618
Materials	84,822	-	-	84,822
Utilities	43,032	-	-	43,032
Other	<u>45,800</u>	<u>-</u>	<u>-</u>	<u>45,800</u>
	<u>2,210,081</u>	<u>-</u>	<u>-</u>	<u>2,210,081</u>
	<u>\$ 4,530,447</u>	<u>\$ 1,314,583</u>	<u>\$ -</u>	<u>\$ 5,845,030</u>

**Note J - Endowment Funds.**

The Organization funded a Board designated endowment fund with Louisville Community Foundation, Inc. (Foundation) during 2017 with an initial contribution of \$50,000. The endowment provides funding for the Organization's mission. The agreement with the Foundation provides that distributions from the fund are governed by the Foundation's distribution policy to determine the amount which will be made available annually for grants and will be funded from principal if necessary. In the event of the Organization's dissolution, the Organization reserves the right to name a successor organization to the Foundation fund. The Organization makes the determination of the amount to be distributed from the amount determined available by the Foundation.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note K - Agreement with Yum! Brands Foundation, Inc.**

In June 2002, under an agreement with the Organization, Yum! Brands Foundation, Inc. (Yum!) agreed to commit \$1,000,000 annually (on a calendar year basis) to help the Organization in its efforts to end hunger in the Kentuckiana area. The annual \$1,000,000 consisted of funds raised by Yum! through its annual employee pledge campaign, which are then matched by Yum! The funds were transferred to Benevity, Inc. (Metro United Way through approximately half of 2016) and specifically designated for the Organization net of any administrative fees. Additional funding was to be provided directly by Yum! in an amount equal to the difference between the net amount received through Benevity, Inc. and \$1,000,000. At June 30, 2017 and 2016, the amount due to the Organization under this agreement totals \$- and \$869,707, respectively.

The annual commitment from Yum! was reduced to \$500,000 during the 2017 calendar year and management anticipates the annual commitment from Yum! to be reduced to \$250,000 during the 2018 calendar year. In consideration for this funding, the Organization agrees to provide various sponsorship opportunities for Yum!

**Note L - Special Events Fundraising Expense**

Special events fundraising expense consists of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
In-kind items	\$ 111,463	\$ 147,273
Event direct costs	<u>238,867</u>	<u>168,346</u>
	<u>\$ 350,330</u>	<u>\$ 315,619</u>

**Note M - Operating Leases**

During 2015, the Organization entered into a lease agreement to lease warehouse space. The lease was renewed during fiscal year 2017 for a term of 36 months expiring in March 2020. The Organization however has the option to terminate the lease after 24 months upon giving 120 days prior written notice. Subsequent to the 36 month lease term, the Organization may continue to lease the warehouse space on a month to month basis. When extending the lease the Company received a reduced monthly rent. The monthly payment due under this lease was \$18,314 and is \$12,135 as of April 1, 2017. Lease expense under this lease totals approximately \$195,300 and \$219,800 for the years ended June 30, 2017 and 2016, respectively.

During 2013, the Organization entered into a lease agreement to lease space in which it operates the Community Kitchen. The lease expired in December 2015. During 2016, Organization extended the lease through December 2018. The Organization however has the option to terminate the lease after 24 months upon giving 120 days prior written notice. The Organization has the option to extend this lease for up to two additional three year terms. The monthly payment due under this lease is \$2,350. Lease expense under this lease totals \$28,200 for each of the years ended June 30, 2017 and 2016.

During 2016 and 2017, the Organization entered into three vehicle leases. The vehicle leases range in expiration from February 2018 to August 2022. The monthly payments under these leases totaled approximately \$11,000 and \$3,300 for the years ended June 30, 2017 and 2016, respectively.

**Dare to Care, Inc.**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2017 and 2016**

**Note M - Operating Leases (Continued)**

At June 30, 2017, the future minimum lease payments under all non-cancelable operating leases are as follows (assumes each of the two building leases continue for the entire 36 month terms of the leases):

Year Ending June 30

2018	\$ 195,296
2019	179,196
2020	116,556
2021	16,338
2022	<u>1,154</u>
	<u>\$ 508,540</u>

**Note N - Feeding America**

The Organization solicits surplus product from the food industry locally and nationally, through its membership in Feeding America. The Organization paid membership dues of \$12,716 and \$12,619 to Feeding America during the years ended June 30, 2017 and 2016, respectively.

**Note O - Retirement Plan**

The Organization has a 403(b) plan (Plan) for its employees that meet the Plan's eligibility requirements. Contributions under the Plan are at the discretion of the Board of Directors and are in amounts up to five percent of the participating employees' compensation. Retirement plan contribution expense for the years ended June 30, 2017 and 2016 totals approximately \$77,200 and \$70,400, respectively.

**Note P - Contingencies**

Reimbursement claims under federal and/or state programs are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims might become a liability of the Organization. Management is not aware of any communications from grantor agencies regarding the lack of compliance with requirements that could result in such a liability.

## **Supplementary Information**

**Dare to Care, Inc.**  
**Schedules of Revenues and Expenses**  
**Years ended June 30, 2017 and 2016**

	<u>2017</u>		<u>2016</u>	
Support and revenue				
Contributions and grants	\$ 7,581,712	17.41%	\$ 6,412,835	15.38%
Donations of food and commodities	34,698,943	79.70%	34,395,380	82.48%
In-kind donations for fundraising	111,464	0.26%	147,273	0.35%
Special events	452,344	1.04%	475,273	1.14%
Other revenues	168,641	0.39%	148,519	0.36%
Income from investments	144,728	0.33%	154,060	0.37%
Net realized gains on investments	74,347	0.17%	104,690	0.25%
Net unrealized gains (losses) on investments	306,539	0.70%	(137,086)	-0.33%
	<u>\$ 43,538,718</u>	<u>100.00%</u>	<u>\$ 41,700,944</u>	<u>100.00%</u>
Expenses and losses				
Distribution of food and commodities	\$ 37,510,128	86.15%	\$ 34,865,534	83.62%
Salaries/wages and benefits	2,647,309	6.08%	2,491,914	5.98%
Payroll taxes	184,959	0.42%	180,872	0.43%
Special events	350,330	0.80%	315,619	0.76%
Public relations	865,848	1.99%	989,505	2.37%
Rent	223,438	0.51%	247,974	0.59%
Warehouse expenses	183,751	0.42%	190,462	0.46%
Freight	538,946	1.24%	571,444	1.37%
Truck expenses	74,624	0.17%	69,280	0.17%
Insurance	72,672	0.17%	81,431	0.20%
Utilities	126,668	0.29%	121,301	0.29%
Telephone	22,779	0.05%	21,368	0.05%
Repairs and maintenance	182,872	0.42%	163,744	0.39%
Supplies and other office expenses	24,937	0.06%	26,242	0.06%
Meetings, conferences, and travel	32,657	0.08%	55,503	0.13%
Memberships and subscriptions	31,871	0.07%	30,895	0.07%
Professional and consulting fees	71,839	0.17%	113,910	0.27%
Bank and investment fees	48,257	0.11%	46,549	0.11%
Other miscellaneous expenses	93,629	0.22%	87,250	0.21%
Depreciation	289,813	0.67%	309,441	0.74%
Impairment loss	148,360	0.34%	-	0.00%
	<u>\$ 43,725,687</u>	<u>100.43%</u>	<u>\$ 40,980,238</u>	<u>98.27%</u>

See accompanying independent auditor's report

**Dare to Care, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2017**

Federal grantor / pass-through grantor / cluster and/or program title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures	Non-cash financial assistance	Amounts provided to subrecipients
<b>U.S. Department of Agriculture (Food and Nutrition Service)</b>					
<i>Passed-through the Kentucky Department of Education (Division of School and Community Nutrition)</i>					
Child and Adult Care Food Program	10.558	11754	\$ 564,777	\$ -	\$ -
<i>Passed-through the Kentucky Department of Education (Division of Nutrition and Health Services)</i>					
<b>Child Nutrition Cluster</b>					
Summer Food Service Program for Children	10.559	11754	283,037	-	-
<i>Passed-through the Indiana Department of Education (Division of School and Community Nutrition Programs)</i>					
Child and Adult Care Food Program	10.558	1930100	53,657	-	-
<b>Child Nutrition Cluster</b>					
Summer Food Service Program for Children	10.559	1930100	7,863	-	-
<i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i>					
<b>Food Distribution Cluster</b>					
Commodity Supplemental Food Program	10.565	1600002213	4,407,140	3,903,857	3,415,389
The Emergency Food Assistance Program (Administrative Costs)	10.568	1600002211	221,545	-	-
The Emergency Food Assistance Program (Food Commodities)	10.569	1600002211	5,325,737	5,325,737	5,325,737
<i>Passed-through the Indiana State Department of Health</i>					
<b>Food Distribution Cluster</b>					
The Emergency Food Assistance Program (Administrative Costs)	10.568	17126	52,928	-	-
The Emergency Food Assistance Program (Food Commodities)	10.569	17126	<u>902,424</u>	<u>902,424</u>	<u>902,424</u>
Total expenditures of federal awards			<u>\$ 11,819,108</u>		
Total non-cash financial assistance				<u>\$ 10,132,018</u>	
Total amounts paid to subrecipients					<u>\$ 9,643,550</u>
Total U.S. Department of Agriculture			<u>\$ 11,819,108</u>		
Total Child Nutrition Cluster			<u>\$ 290,900</u>		
Total Food Distribution Cluster			<u>\$ 10,909,774</u>		

See accompanying independent auditor's report and notes  
to the schedule of expenditures of federal awards

**Dare to Care, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Dare to Care, Inc. (Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the accompanying financial statements.

**Note B - Food Distribution Cluster**

Per the U.S. Office of Management and Budget (OMB), the Food Distribution Cluster, consists of Catalog of Federal Domestic Assistance (CFDA) numbers 10.565, the Commodity Supplemental Food Program, 10.568, the Emergency Food Assistance Program--Administrative Costs, and 10.569, the Emergency Food Assistance Program--Food Commodities. Accordingly, this cluster has been treated as a single program in determining the Organization's major programs for the year ended June 30, 2017.

**Note C - Non-cash Financial Assistance**

The values of U.S. Department of Agriculture (USDA) commodities received and distributed during the year, and the inventory value of undistributed USDA commodities as of year-end, are estimated by valuing the respective number of pounds of such food products at an approximate average wholesale value of one pound of donated product based on an annual study performed by Feeding America, a nationwide network of food banks and the leading domestic hunger-relief charity throughout the United States.

The amount of federal expenditures under the Commodity Supplemental Food Program (CFDA number 10.565) reported on the schedule of expenditures of federal awards for the year ended June 30, 2017 includes an estimate of non-monetary expenditures (distribution of USDA commodities) in the amount of approximately \$3,904,000.

The amount of federal expenditures under the Emergency Food Assistance Program (CFDA number 10.569) reported on the schedule of expenditures of federal awards for the year ended June 30, 2017 includes an estimate of non-monetary expenditures (distribution of USDA commodities) totaling approximately \$6,228,000.

The estimated inventory value of undistributed USDA commodities as of June 30, 2017 totals approximately \$2,575,000.

**Note D - Subrecipients**

During the year ended June 30, 2017, the Organization distributed a total of approximately \$10,132,000 (an estimate of non-monetary expenditures) of Commodity Supplemental Food Program (CFDA number 10.565) and Emergency Food Assistance Program (CFDA number 10.569) food commodities, approximately \$9,644,000 of which was distributed to subrecipients (approximately 95% of the USDA commodities distributed between the two programs).

During the year ended June 30, 2017, the Organization provided approximately \$45,000 of its Emergency Food Assistance Program--Administrative Costs (CFDA number 10.568) federal funding to Tri-State Food Bank, Inc. (Tri-State) to cover Tri-State's costs associated with storing, transporting, and distributing food commodities provided to it by the Organization for distribution.

**Dare to Care, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards (Continued)**  
**June 30, 2017**

**Note E - Indirect Rate**

The Organization does not use the 10% de minimis indirect rate allowed in the Uniform Guidance, section 414.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
**Dare to Care, Inc.**  
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dare to Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dare to Care, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dare to Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Dare to Care, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

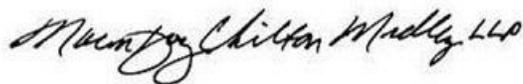
**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dare to Care, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dare to Care, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dare to Care, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mountjoy Chilton Medley LLP  
Louisville, Kentucky  
September 25, 2017



## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors  
Dare to Care, Inc.  
Louisville, Kentucky

### **Report on Compliance for Each Major Federal Program**

We have audited Dare to Care, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Dare to Care, Inc.'s major federal programs for the year ended June 30, 2017. Dare to Care, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Dare to Care, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dare to Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dare to Care, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Dare to Care, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

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**Kentucky**  
**Indiana**  
**Ohio**

**Mountjoy Chilton Medley LLP**

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## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance (Continued)**

### **Report on Internal Control Over Compliance**

Management of Dare to Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dare to Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dare to Care, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mountjoy Chilton Medley LLP  
Louisville, Kentucky  
September 25, 2017

**Dare to Care, Inc.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

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**Section I-Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes        X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes        X  no

Noncompliance material to financial statements noted? \_\_\_\_\_yes        X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes        X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes        X  no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? \_\_\_\_\_yes        X  no

Identification of major programs:

Federal  
CFDA number

Cluster and/or program title

**Food Distribution Cluster**

10.565	Commodity Supplemental Food Program
10.568	The Emergency Food Assistance Program (Administrative Costs)
10.569	The Emergency Food Assistance Program (Food Commodities)

**Dare to Care, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**June 30, 2017**

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**Section I-Summary of Auditor's Results (Continued)**

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**Federal Awards (Continued)**

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee under  
Section 520 of the Uniform Guidance?                      X   yes                           no

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**Section II-Findings--Financial Statement Audit**

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None

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**Section III-Findings and Questioned Costs--Major Federal Award Program Audit**

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None

**Dare to Care, Inc.**  
**Schedule of Prior Audit Findings and Their Resolution**  
**June 30, 2017**

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**Financial Statement Audit**

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None

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**Major Federal Award Program Audit**

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None