

Dare to Care, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019

Dare to Care, Inc.
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Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Dare to Care, Inc.

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, 2020 and 2019, 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.

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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, 2020 and 2019, 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 20 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 21 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 October 6, 2020, 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.



Louisville, Kentucky
October 6, 2020

Dare to Care, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,695,849	\$ 2,550,935
Accounts receivable	10,078	4,653
Contributions and grants receivable	1,688,920	2,194,621
Inventory	5,129,468	5,236,983
Prepaid expenses and other current assets	<u>123,627</u>	<u>35,752</u>
Total current assets	11,647,942	10,022,944
Investments	6,014,495	6,186,331
Contributions and grants receivable, less current portion, net	2,049,692	624,334
Property and equipment, net	<u>7,522,882</u>	<u>1,980,599</u>
Total assets	<u>\$ 27,235,011</u>	<u>\$ 18,814,208</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 233,238	\$ 137,136
Refundable advance	530,000	-
Accrued expenses and other current liabilities	<u>225,265</u>	<u>126,582</u>
Total current liabilities	988,503	263,718
Net assets		
Without donor restrictions	22,937,141	15,295,367
Board designated for capital expenditures	240,000	244,000
Board designated endowment	<u>62,367</u>	<u>60,891</u>
Total net assets without donor restriction	23,239,508	15,600,258
With donor restrictions	<u>3,007,000</u>	<u>2,950,232</u>
Total net assets	<u>26,246,508</u>	<u>18,550,490</u>
Total liabilities and net assets	<u>\$ 27,235,011</u>	<u>\$ 18,814,208</u>

See accompanying notes.

Dare to Care, Inc.
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions and grants	\$ 12,905,531	\$ 3,217,711	\$ 16,123,242	\$ 6,084,158	\$ 3,085,353	\$ 9,169,511
Donations of food and commodities	39,366,812	-	39,366,812	37,319,348	-	37,319,348
In-kind donations for fundraising	24,000	-	24,000	101,327	-	101,327
Special events	121,296	-	121,296	187,232	-	187,232
Other revenues	133,401	-	133,401	117,181	-	117,181
Income from investments, net	165,919	-	165,919	199,515	-	199,515
Net realized (loss) gain on investments	(280,627)	-	(280,627)	107,706	-	107,706
Net unrealized loss on investments	(43,198)	-	(43,198)	(55,710)	-	(55,710)
	52,393,134	3,217,711	55,610,845	44,060,757	3,085,353	47,146,110
Net assets released from restrictions	3,160,943	(3,160,943)	-	1,031,667	(1,031,667)	-
Total support and revenue	55,554,077	56,768	55,610,845	45,092,424	2,053,686	47,146,110
Expenses and losses						
Program services	45,526,487	-	45,526,487	40,677,931	-	40,677,931
Administration	739,676	-	739,676	777,156	-	777,156
Fundraising	1,648,664	-	1,648,664	1,703,789	-	1,703,789
Total expenses and losses	47,914,827	-	47,914,827	43,158,876	-	43,158,876
Change in net assets	7,639,250	56,768	7,696,018	1,933,548	2,053,686	3,987,234
Net assets, beginning of year	15,600,258	2,950,232	18,550,490	13,666,710	896,546	14,563,256
Net assets, end of year	\$ 23,239,508	\$ 3,007,000	\$ 26,246,508	\$ 15,600,258	\$ 2,950,232	\$ 18,550,490

See accompanying notes.

Dare to Care, Inc.
Statement of Functional Expenses
Years Ended June 30, 2020

	Program services			Supporting services		Total
	Food Bank and Foundational Food	Community Kitchen	Kid's Café and Backpack Programs	Administration	Fundraising	
Distribution of food and commodities	\$ 40,289,747	\$ 452,649	\$ 362,319	\$ -	\$ -	\$ 41,104,715
Salaries/Wages and benefits	1,704,628	432,734	92,468	553,913	561,589	3,345,332
Public relations	9,033	2,340	-	1,225	946,953	959,551
Freight	535,564	-	-	-	-	535,564
Warehouse expenses	317,047	4,485	6,853	-	-	328,385
Depreciation	228,494	55,553	-	10,566	10,566	305,179
Payroll taxes	115,024	28,742	5,568	35,180	32,889	217,403
Rent	140,057	26,367	-	-	-	166,424
Other miscellaneous expenses	138,881	27	-	21,643	129	160,680
Repairs and maintenance	105,624	21,936	-	16,450	-	144,010
Utilities	81,940	35,859	1,060	5,849	6,729	131,437
Professional and consulting fees	77,636	-	130	31,855	17,563	127,184
Insurance	71,437	7,320	1,597	8,191	6,177	94,722
Truck expenses	72,411	8,538	2,889	86	-	83,924
Meetings, conferences, and travel	14,347	574	7,633	9,061	14,234	45,849
Special events	-	-	-	-	40,126	40,126
Bank fees	17,946	-	1,795	7,179	8,973	35,893
Supplies and other office expenses	5,979	1,128	698	23,469	1,376	32,650
Memberships and subscriptions	12,302	690	-	14,769	140	27,901
Telephone	22,990	2,708	740	240	1,220	27,898
	<u>\$ 43,961,087</u>	<u>\$ 1,081,650</u>	<u>\$ 483,750</u>	<u>\$ 739,676</u>	<u>\$ 1,648,664</u>	<u>\$ 47,914,827</u>

See accompanying notes.

Dare to Care, Inc.
Statement of Functional Expenses
Years Ended June 30, 2019

	Program services			Supporting services		Total
	Food Bank and Foundational Food	Community Kitchen	Kid's Café and Backpack Programs	Administration	Fundraising	
Distribution of food and commodities	\$ 35,668,291	\$ 463,364	\$ 375,172	\$ -	\$ -	\$ 36,506,827
Salaries/Wages and benefits	1,553,373	406,923	92,005	517,498	454,257	3,024,056
Public relations	4,710	3,474	-	-	985,907	994,091
Freight	573,082	-	-	-	-	573,082
Warehouse expenses	270,885	6,182	16,199	191	-	293,457
Depreciation	225,647	18,526	3,261	24,454	16,303	288,191
Payroll taxes	104,879	27,517	5,657	33,895	26,245	198,193
Rent	151,809	28,482	-	-	-	180,291
Other miscellaneous expenses	40,648	83	-	51,797	34	92,562
Repairs and maintenance	144,814	33,757	-	17,268	-	195,839
Utilities	84,615	27,204	1,208	7,944	4,767	125,738
Professional and consulting fees	104,692	-	146	57,712	20,414	182,964
Insurance	64,191	7,320	840	6,826	4,199	83,376
Truck expenses	74,979	11,810	3,718	-	-	90,507
Meetings, conferences, and travel	9,461	1,496	5,881	20,833	9,535	47,206
Special events	-	-	-	-	174,489	174,489
Bank fees	8,778	-	878	3,511	4,389	17,556
Supplies and other office expenses	12,600	3,933	142	13,677	2,040	32,392
Memberships and subscriptions	11,752	750	-	20,970	150	33,622
Telephone	20,244	1,793	760	580	1,060	24,437
	<u>\$ 39,129,450</u>	<u>\$ 1,042,614</u>	<u>\$ 505,867</u>	<u>\$ 777,156</u>	<u>\$ 1,703,789</u>	<u>\$ 43,158,876</u>

See accompanying notes.

Dare to Care, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 7,696,018	\$ 3,987,234
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	323,825	(51,996)
Contributions and grants restricted for purchases of property and equipment	(3,360,377)	(1,972,950)
Contributed rent	(1,127,947)	-
Receipt of donated and USDA inventory	(39,366,812)	(37,319,348)
Distribution of donated and USDA inventory	39,472,809	35,026,509
Loss on sales of property and equipment	1,779	12,726
Depreciation	305,179	288,191
Changes in assets and liabilities		
Accounts receivable	(5,425)	2,902
Contributions and grants receivable	(1,301,710)	(308,615)
Inventory	1,518	(46,517)
Prepaid expenses and other current assets	(87,875)	64,145
Accounts payable	(99,501)	31,654
Refundable advance	530,000	-
Accrued expenses and other current liabilities	52,648	49,005
Net cash provided by (used in) operating activities	<u>3,034,129</u>	<u>(237,060)</u>
Cash flows from investing activities		
Proceeds from sales of investments	3,259,897	6,844,223
Purchases of investments	(3,411,886)	(6,776,670)
Purchases of property and equipment	<u>(5,607,603)</u>	<u>(372,265)</u>
Net cash used in investing activities	<u>(5,759,592)</u>	<u>(304,712)</u>
Cash flows from financing activities		
Proceeds from contributions and grants restricted for purchases of property and equipment	<u>4,870,377</u>	<u>462,950</u>
Change in cash and cash equivalents	2,144,914	(78,822)
Cash and cash equivalents, beginning of year	<u>2,550,935</u>	<u>2,629,757</u>
Cash and cash equivalents, end of year	<u>\$ 4,695,849</u>	<u>\$ 2,550,935</u>
Supplemental disclosure of non-cash activities		
Fixed assets included in accounts payable and accrued expenses	\$ 241,638	\$ -

See accompanying notes.

Dare to Care, Inc.
Notes to the Financial Statements
Years Ended June 30, 2020 and 2019

Note A - Nature of Operations

Dare to Care, Inc. (the "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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.
 - Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
 - Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions or grants whose restrictions are satisfied in the period the contribution or grant is received are reported as without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction.

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.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

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 at the lower of cost or net realizable value 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 the lower of cost or net realizable value determined on a first-in, first-out basis.

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: 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.

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. 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 support without donor restrictions.

The Organization received contributed rent from a donor during the year ended June 30, 2020. The contributed rent has been included in contributions and grants receivable, see Note E for additional information.

Throughout the year individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received the benefit of approximately 36,000 and 47,000 volunteer hours during the years ended June 30, 2020 and 2019, respectively. Calculated at the federal minimum wage rate, the value of these volunteer hours totals approximately \$262,000 and \$343,000 for the years ended June 30, 2020 and 2019, 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)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

10. Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Warehouse costs	Pounds distributed / asset use
Salaries and benefits	Time and effort
Utilities	Square footage / asset use
Insurance	Square footage / asset use
Depreciation	Square footage / asset use
Other	Time and effort

11. Advertising Costs: The Organization expenses advertising costs, including media campaigns, as incurred. Such costs, which are largely reflected as fundraising expenses, total approximately \$158,000 and \$269,000 for the years ended June 30, 2020 and 2019, respectively.
12. Freight Costs: Freight costs, the costs associated with having food delivered to the Organization's warehouse, are expensed as incurred. Such costs total approximately \$535,600 and \$573,100 for the years ended June 30, 2020 and 2019, respectively.
13. 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.

14. 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.
15. Recently Issued Accounting Standards Updates: 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. The Organization evaluated the impact of the adoption of ASU 2014-09 on the financial statements and did not record any material impact from the adoption of ASU 2014-09 as of July 1, 2019.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

15. Recently Issued Accounting Standards Updates (Continued): In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard was adopted, with no material impact for the year ending June 30, 2020 and will apply to contributions made for the year ending June 30, 2021.

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, 2023. Early adoption is permitted.

Management is currently evaluating the *Contributions Made* portion of ASU 2018-08 and ASU 2016-02 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.

At June 30, 2020 and 2019, receivables from two and three grantors represent 50% and 57%, respectively, of total contributions and grants receivable.

For 2020 and 2019, approximately 33% and 29%, respectively, of total support and revenue consists of revenue from USDA commodities received.

Note D - Inventory

At June 30, 2020 and 2019, inventory consists of the following:

	2020	2019
Donated food	\$ 552,130	\$ 480,458
USDA Commodities	4,341,456	4,519,125
Purchased food	235,882	237,400
	<u>\$ 5,129,468</u>	<u>\$ 5,236,983</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 \$1.52 and \$1.57 for the years ended June 30, 2020 and 2019, 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)
Years Ended June 30, 2020 and 2019

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, 2020 and 2019:

	2020		2019	
	Pounds	Value	Pounds	Value
Received	13,861,000	\$ 21,083,741	15,152,000	\$ 23,756,368
Distributed	13,805,000	21,012,069	15,223,000	23,848,278

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, 2020 and 2019:

	2020		2019	
	Pounds	Value	Pounds	Value
Received	12,021,000	\$ 18,283,071	8,639,000	\$ 13,562,980
Distributed	12,037,000	18,460,740	7,164,000	11,178,231

Note E - Contributions and Grants Receivable

At June 30, 2020 and 2019, contributions and grants receivable consist of the following:

	2020	2019
Capital campaign	\$ -	\$ 1,510,000
Contributed rent	1,363,000	-
Other	2,632,753	1,324,621
	3,995,753	2,834,621
Less discounts to net present value	257,141	15,666
	<u>\$ 3,738,612</u>	<u>\$ 2,818,955</u>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note E - Contributions and Grants Receivable (Continued)

A discount rate of 1.71% were used in determining the net present value of the long-term receivables at June 30, 2020 and 2019. During 2020 contributed rent was recorded with an estimated fair value of \$47,000 annually through the year ending June 30, 2049. The contributed rent receivable was valued using a discount rate of 1.41%.

Amounts to be collected from contributions and grants receivable, excluding the contributed rent, are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Estimated to be collected in less than one year	\$ 1,641,920	\$ 2,194,621
Estimated to be collected in one to five years	<u>990,833</u>	<u>640,000</u>
	<u>\$ 2,632,753</u>	<u>\$ 2,834,621</u>

Note F - Property and Equipment, net

At June 30, 2020 and 2019, net property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 94,241	\$ 94,241
Buildings	2,525,051	2,508,699
Leasehold improvements	151,006	151,006
Warehouse equipment	891,922	819,169
Community kitchen equipment	386,075	359,149
Office equipment, furniture, fixtures, and other	411,140	384,231
Vehicles	985,104	961,928
Construction in progress	<u>5,588,711</u>	<u>63,131</u>
	11,033,250	5,341,554
Accumulated depreciation	<u>(3,510,368)</u>	<u>(3,360,955)</u>
	<u>\$ 7,522,882</u>	<u>\$ 1,980,599</u>

Note G - Board Designated Net Assets

As of June 30, 2020 and 2019, the Organization's Board of Directors ("Board") has designated \$240,000 and \$244,000, 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)
Years Ended June 30, 2020 and 2019

Note H - Net Assets with Donor Restrictions

At June 30, 2020 and 2019, net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Time restriction, rent	\$ 1,127,947	\$ 84,334
Capital campaign, operations	1,050,000	-
Feeding kids	261,200	549,860
COVID-19 response	202,722	-
Other	120,779	97,222
Backpack program	115,593	60,620
Feeding families	83,300	18,000
Prescriptive/School pantry	45,459	99,996
Capital campaign, capital	-	1,895,250
Partner agencies	-	75,000
Equipment/Capital expenses	-	69,950
	<u>\$ 3,007,000</u>	<u>\$ 2,950,232</u>

Net assets released from restrictions consist of the following with respect to the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capital Campaign, capital	\$ 1,895,250	\$ 60,000
COVID-19 response	426,351	-
Feeding kids	288,660	216,620
Prescriptive/School pantry	134,037	57,529
Other	125,124	32,366
Time restriction, rent	84,334	257,763
Backpack program	74,237	60,779
Equipment/Capital expenses	69,950	92,192
Capital campaign, operations	45,000	-
Feeding families	18,000	50,000
Feeding seniors	-	93,720
Produce	-	54,453
Family Scholar House	-	31,984
Volunteer Zone	-	24,261
	<u>\$ 3,160,943</u>	<u>\$ 1,031,667</u>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

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, 2020 and 2019.

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.

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.

At June 30, 2020, 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	\$ 387,542	\$ -	\$ -	\$ 387,542
Fixed income securities	-	1,639,291	-	1,639,291
Equity securities	3,925,295	-	-	3,925,295
Funds held at the Louisville Community Foundation, Inc. (Note J)	-	62,367	-	62,367
	<u>\$ 4,312,837</u>	<u>\$ 1,701,658</u>	<u>\$ -</u>	<u>\$ 6,014,495</u>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note I - Fair Value Measurements (Continued)

At June 30, 2019, 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	\$ 372,439	\$ -	\$ -	\$ 372,439
Fixed income securities	-	1,850,731	-	1,850,731
Equity securities	3,902,270	-	-	3,902,270
Funds held at the Louisville Community Foundation, Inc. (Note J)	-	60,891	-	60,891
	<u>\$ 4,274,709</u>	<u>\$ 1,911,622</u>	<u>\$ -</u>	<u>\$ 6,186,331</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.

Note K - Special Events Fundraising Expense

Special events fundraising expense consists of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
In-kind items	\$ 24,000	\$ 101,327
Event direct costs	16,126	73,162
	<u>\$ 40,126</u>	<u>\$ 174,489</u>

Note L - Operating Leases

During 2015, the Organization entered into a lease agreement to lease warehouse space. The lease was renewed during fiscal year 2020 for a term of 36 months expiring in March 2023. The Organization however has the option to terminate the lease after 18 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 Organization received a reduced monthly rent. The current monthly payment due under this lease at June 30, 2020 is \$10,268. Lease expense under this lease totals approximately \$140,000 for each of the years ended June 30, 2020 and 2019.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note L - Operating Leases (Continued)

The Organization leases space in which it operates the Community Kitchen. In December 2018, the Organization extended the existing lease through December 2019 with a month-to-month extension after the one year period ended. The monthly payment increased in December 2018 when the lease was extended to \$2,397 from the previous \$2,350. Lease expense under this lease totals \$26,367 and \$28,482 for the years ended June 30, 2020 and 2019, respectively.

The Organization has entered into nine vehicle leases. The vehicle leases range in expiration from April 2021 to November 2025. The monthly payments under these leases totaled approximately \$145,450 and \$88,250 for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020, the future minimum lease payments under all non-cancelable operating leases are as follows:

<u>Year ending June 30,</u>	
2021	\$ 288,198
2022	180,602
2023	148,644
2024	144,480
2025	87,818
Thereafter	<u>12,713</u>
	<u><u>\$ 862,455</u></u>

Note M - 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 \$10,441 and \$13,388 to Feeding America during the years ended June 30, 2020 and 2019, respectively.

Note N - 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, 2020 and 2019 totals approximately \$89,600 and \$86,800, respectively.

Note O - 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.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note P - Availability and Liquidity

The following represents the Organization's financial assets available to meet cash needs for general expenditure within one year at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,695,849	\$ 2,550,935
Accounts receivable	10,078	4,653
Contributions and grants receivable, net	3,738,612	2,818,955
Investments	<u>6,014,495</u>	<u>6,186,331</u>
 Total financial assets available	 14,459,034	 11,560,874
 Less amounts not available for general expenditures within one year		
Net assets with donor restrictions	(3,007,000)	(2,950,232)
 Less amounts unavailable to management without board's approval		
Board designated net assets	(240,000)	(244,000)
Board designated endowment	<u>(62,367)</u>	<u>(60,891)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 11,149,667</u>	 <u>\$ 8,305,751</u>

The organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.7 million). As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts. The organization has no debt as of June 30, 2020 or 2019.

Additionally, during 2020 due to the ongoing Capital Campaign (see Note R) and new location for the Community Kitchen the Organization obtained a line of credit with the bank which was not utilized during the year ended June 30, 2020. The line of credit has \$2,500,000 available to the Organization, draws bear interest at the daily LIBOR rate plus 1.75%, and the line of credit matures on January 27, 2022.

Note Q - Refundable Advance

In April 2020, the Organization applied for and received approval for a Paycheck Protection Program loan under the CARES Act in the amount of \$530,000. This loan bears interest at approximately 1%, is due in 2 years and is unsecured. Under the CARES Act, subject to limitations, as defined, this loan may be partially or fully forgiven depending on specific actual payroll and other qualified costs for the covered period following receipt of loan proceeds. The Organization is accounting for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, the Organization maintains the conditions will be substantially met when forgiveness is received from its bank.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note R - Capital Campaign

The Organization started a Capital Campaign during 2019 to fund a new location for their Community Kitchen and other aspects of their Organization. The funds with donor restrictions for the Capital Campaign specific to funding the new location for the Community Kitchen were utilized during the year ended June 30, 2020 to finance this project and the new location became fully operational in July 2020. The capital campaign also raised funds restricted for use in the operations of this new Community Kitchen location and those funds are still classified as restricted at June 30, 2020.

Note S - Global Novel Coronavirus Disease 2019

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Additionally, the United States Centers for Disease Control and Prevention confirmed the spread of COVID-19 throughout the United States. As of the date the accompanying financial statements were available to be issued, the Organization has not been significantly impacted by the outbreak of COVID-19. Since the situation surrounding the pandemic remains fluid, the long-term duration, nature, and extent of the impact on the Organization, if any, cannot be reasonably estimated at this time.

Supplementary Information

Dare to Care, Inc.
Schedules of Revenues and Expenses
Years Ended June 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
Support and revenue				
Donations of food and commodities	\$ 39,366,812	70.79%	\$ 37,319,348	79.16%
Contributions and grants	16,123,242	28.99%	9,169,511	19.45%
Income from investments, net	165,919	0.30%	199,515	0.42%
Special events	121,296	0.22%	187,232	0.40%
Other revenues	133,401	0.24%	117,181	0.25%
Net realized (losses) gains on investments	(280,627)	-0.50%	107,706	0.23%
In-kind donations for fundraising	24,000	0.04%	101,327	0.21%
Net unrealized losses on investments	(43,198)	-0.08%	(55,710)	-0.12%
	<u>\$ 55,610,845</u>	<u>100.00%</u>	<u>\$ 47,146,110</u>	<u>100.00%</u>
Expenses and losses				
Distribution of food and commodities	\$ 41,104,715	73.91%	\$ 36,506,827	77.43%
Salaries/wages and benefits	3,345,332	6.02%	3,024,056	6.41%
Public relations	959,551	1.73%	994,091	2.11%
Freight	535,564	0.96%	573,082	1.22%
Warehouse expenses	328,385	0.59%	293,457	0.62%
Depreciation	305,179	0.55%	288,191	0.61%
Payroll taxes	217,403	0.39%	198,193	0.42%
Rent	166,424	0.30%	180,291	0.38%
Other miscellaneous expenses	160,680	0.29%	92,562	0.20%
Repairs and maintenance	144,010	0.26%	195,839	0.42%
Utilities	131,437	0.24%	125,738	0.27%
Professional and consulting fees	127,184	0.23%	182,964	0.39%
Insurance	94,722	0.17%	83,376	0.18%
Truck expenses	83,924	0.15%	90,507	0.19%
Meetings, conferences, and travel	45,849	0.08%	47,206	0.10%
Special events	40,126	0.07%	174,489	0.37%
Bank fees	35,893	0.06%	17,556	0.04%
Supplies and other office expenses	32,650	0.06%	32,392	0.07%
Memberships and subscriptions	27,901	0.05%	33,622	0.07%
Telephone	27,898	0.05%	24,437	0.05%
	<u>\$ 47,914,827</u>	<u>86.16%</u>	<u>\$ 43,158,876</u>	<u>91.55%</u>

See accompanying independent auditor's report.

Dare to Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
U.S. Department of Agriculture (Food and Nutrition Service)					
<i>Passed-through the Kentucky Department of Education (Division of School and Community Nutrition)</i>					
Child and Adult Care Food Program	10.558	11754	\$ 389,735	\$ -	\$ -
<i>Passed-through the Kentucky Department of Education (Division of Nutrition and Health Services)</i>					
Child Nutrition Cluster					
Summer Food Service Program for Children	10.559	11754	311,689	-	-
<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	34,513	-	-
<i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i>					
Food Distribution Cluster					
Commodity Supplemental Food Program	10.565	1900000069	3,997,428	3,499,735	3,499,735
The Emergency Food Assistance Program (Administrative Costs)	10.568	1900000055	706,544	-	152,360
The Emergency Food Assistance Program (Food Commodities)	10.569	1900000055	11,149,071	11,149,071	11,149,071
<i>Passed-through the Indiana State Department of Health</i>					
Food Distribution Cluster					
The Emergency Food Assistance Program (Administrative Costs)	10.568	29139 / 38064	35,004	-	-
The Emergency Food Assistance Program (Food Commodities)	10.569	29139 / 38064	2,476,348	2,476,348	2,476,348
<i>Passed-through the Indiana State Department of Health</i>					
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	40527	48,564	-	-
<i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i>					
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	1900003668	<u>222,780</u>	<u>-</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 19,371,676</u>		
Total non-cash financial assistance				<u>\$ 17,125,154</u>	
Total amounts paid to subrecipients					<u>\$ 17,277,514</u>
Total U.S. Department of Agriculture			<u>\$ 19,371,676</u>		
Total Child Nutrition Cluster			<u>\$ 311,689</u>		
Total Food Distribution Cluster			<u>\$ 18,364,395</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
Year Ended June 30, 2020

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, 2020.

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, 2020 includes an estimate of non-monetary expenditures (distribution of USDA commodities) in the amount of approximately \$3,500,000.

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, 2020 includes an estimate of non-monetary expenditures (distribution of USDA commodities) totaling approximately \$13,600,000.

The estimated inventory value of undistributed USDA commodities, under federal award programs, as of June 30, 2020 totals approximately \$4,200,000. There are items in inventory classified under USDA commodities at June 30, 2020 not received under federal award programs.

Note D - Subrecipients

During the year ended June 30, 2020, the Organization distributed a total of approximately \$3,500,000 (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 \$13,600,000 of which was distributed to subrecipients.

During the year ended June 30, 2020, the Organization provided approximately \$152,000 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.

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.

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, 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, and have issued our report thereon dated October 6, 2020.

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.

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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.



Louisville, Kentucky
October 6, 2020



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.

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, 2020. 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.

MCM CPAs & Advisors 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)**

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, 2020.

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.



Louisville, Kentucky
October 6, 2020

Dare to Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

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 none reported

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 none reported

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:

<u>Federal CFDA number</u>	<u>Cluster and/or Program title</u>
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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)
Year Ended June 30, 2020

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

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

Section II - Findings--Financial Statement Audit

None

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

None

Dare to Care, Inc.
Schedule of Prior Audit Findings and Their Resolution
Year Ended June 30, 2020

Section I - Financial Statement Audit

None

Section II - Major Federal Award Program Audit

None