

Dare to Care, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2022 and 2021

Dare to Care, Inc. and Subsidiaries
Table of Contents
Years Ended June 30, 2022 and 2021

| | <u>Page</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report | 1 - 2 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position..... | 3 |
| Consolidated Statements of Activities..... | 4 |
| Consolidated Statements of Functional Expenses | 5 - 6 |
| Consolidated Statements of Cash Flows..... | 7 |
| Notes to the Consolidated Financial Statements..... | 8 - 19 |
| Supplementary Information | |
| Schedules of Revenues and Expenses | 20 |
| Schedule of Expenditures of Federal Awards..... | 21 |
| Notes to the Schedule of Expenditures of Federal Awards | 22 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 23 - 24 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance | 25 - 26 |
| Schedule of Findings and Questioned Costs..... | 27 - 28 |
| Schedule of Prior Audit Findings and Their Resolution..... | 29 |



Independent Auditor's Report

To the Board of Directors
Dare to Care, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dare to Care, Inc. (a non-profit organization) and Subsidiaries which comprise the consolidated statements of financial position as of June 30, 2022 and 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dare to Care, Inc. and Subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Dare to Care, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dare to Care, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a] reasonable user based on the consolidated financial statements.

MCM CPAs & Advisors LLP

www.mcmcpa.com
888.587.1719

A Member of PrimeGlobal - An Association
of Independent Accounting Firms

Kentucky
Indiana
Ohio

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dare to Care, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dare to Care, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 21 is presented as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 18, 2022 on our consideration of Dare to Care, Inc. and Subsidiaries' 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 solely 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 the effectiveness of Dare to Care, Inc. and Subsidiaries' 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. and Subsidiaries' internal control over financial reporting and compliance.



Louisville, Kentucky
November 18, 2022

Dare to Care, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 7,210,870 | \$ 9,749,683 |
| Accounts receivable | 13,963 | 6,459 |
| Contributions and grants receivable | 1,182,006 | 1,615,753 |
| Inventory | 4,016,397 | 5,813,908 |
| Prepaid expenses and other current assets | <u>64,217</u> | <u>19,168</u> |
| Total current assets | 12,487,453 | 17,204,971 |
| Investments | 9,993,342 | 7,489,462 |
| Contributions and grants receivable, less current portion, net | 1,133,522 | 1,486,606 |
| Property and equipment, net | <u>6,629,006</u> | <u>7,102,894</u> |
| Total assets | <u>\$ 30,243,323</u> | <u>\$ 33,283,933</u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable | \$ 234,625 | \$ 59,851 |
| Accrued expenses and other current liabilities | <u>487,424</u> | <u>204,403</u> |
| Total current liabilities | <u>722,049</u> | <u>264,254</u> |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 17,597,593 | 22,788,387 |
| Board designated reserve | 9,826,452 | 7,409,291 |
| Board designated endowment | <u>166,890</u> | <u>80,171</u> |
| Total net assets without donor restriction | 27,590,935 | 30,277,849 |
| With donor restrictions | <u>1,930,339</u> | <u>2,741,830</u> |
| Total net assets | <u>29,521,274</u> | <u>33,019,679</u> |
| Total liabilities and net assets | <u>\$ 30,243,323</u> | <u>\$ 33,283,933</u> |

See accompanying notes.

Dare to Care, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|----------------------------------------------|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenues and other support | | | | | | |
| Contributions and grants | \$ 9,160,724 | \$ 603,643 | \$ 9,764,367 | \$ 11,397,280 | \$ 1,344,942 | \$ 12,742,222 |
| Donations of food and commodities | 34,756,413 | - | 34,756,413 | 37,227,545 | - | 37,227,545 |
| In-kind donations for fundraising | 48,890 | - | 48,890 | - | - | - |
| Special events | 460,839 | - | 460,839 | 243,363 | - | 243,363 |
| Other revenues | 217,238 | - | 217,238 | 740,055 | - | 740,055 |
| Income from investments, net | 155,953 | - | 155,953 | 155,115 | - | 155,115 |
| Net realized gains on investments | 100,598 | - | 100,598 | 224,751 | - | 224,751 |
| Net unrealized gains (losses) on investments | (1,877,988) | - | (1,877,988) | 1,101,469 | - | 1,101,469 |
| | 43,022,667 | 603,643 | 43,626,310 | 51,089,578 | 1,344,942 | 52,434,520 |
| Net assets released from restrictions | 1,415,134 | (1,415,134) | - | 1,610,112 | (1,610,112) | - |
| | 44,437,801 | (811,491) | 43,626,310 | 52,699,690 | (265,170) | 52,434,520 |
| Total revenues and other support | | | | | | |
| Expenses | | | | | | |
| Program services | 43,997,552 | - | 43,997,552 | 43,181,074 | - | 43,181,074 |
| Administration | 1,209,830 | - | 1,209,830 | 878,481 | - | 878,481 |
| Fundraising | 1,917,333 | - | 1,917,333 | 1,601,794 | - | 1,601,794 |
| | 47,124,715 | - | 47,124,715 | 45,661,349 | - | 45,661,349 |
| Total expenses | | | | | | |
| Change in net assets | (2,686,914) | (811,491) | (3,498,405) | 7,038,341 | (265,170) | 6,773,171 |
| Net assets, beginning of year | 30,277,849 | 2,741,830 | 33,019,679 | 23,239,508 | 3,007,000 | 26,246,508 |
| Net assets, end of year | \$ 27,590,935 | \$ 1,930,339 | \$ 29,521,274 | \$ 30,277,849 | \$ 2,741,830 | \$ 33,019,679 |

See accompanying notes.

Dare to Care, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

| | Program services | | | Supporting services | | Total |
|--------------------------------------|---------------------------------------|----------------------|--------------------------------------|---------------------|---------------------|----------------------|
| | Food bank and foundational food | Community Kitchen | Kid's Café and school programs | Administration | Fundraising | |
| Distribution of food and commodities | \$ 37,289,970 | \$ 648,326 | \$ 192,689 | \$ - | \$ - | \$ 38,130,985 |
| Salaries/wages and benefits | 2,156,061 | 514,654 | 83,328 | 840,725 | 658,030 | 4,252,798 |
| Public relations | 4,867 | 132 | - | 292 | 941,392 | 946,683 |
| Freight | 747,034 | - | - | - | - | 747,034 |
| Depreciation | 411,440 | 208,991 | - | 33,794 | 33,793 | 688,018 |
| Other miscellaneous expenses | 358,619 | 2,598 | 560 | 16,018 | 3,601 | 381,396 |
| Warehouse expenses | 277,727 | 4,781 | 106 | 1,231 | - | 283,845 |
| Payroll taxes | 122,748 | 33,962 | 4,447 | 48,204 | 36,744 | 246,105 |
| Repairs and maintenance | 138,289 | 39,835 | - | 61,948 | - | 240,072 |
| Utilities | 121,769 | 56,777 | - | 36,853 | - | 215,399 |
| Professional and consulting fees | 74,658 | 347 | 125 | 71,619 | 32,579 | 179,328 |
| Rent | 169,410 | - | - | - | - | 169,410 |
| Special events | - | - | - | - | 159,985 | 159,985 |
| Insurance | 83,464 | 21,662 | 5,446 | 15,899 | 18,728 | 145,199 |
| Truck expenses | 90,161 | 13,437 | 446 | - | - | 104,044 |
| Supplies and other office expenses | 14,802 | 4,230 | 72 | 47,016 | 3,191 | 69,311 |
| Meetings, conferences, and travel | 21,258 | 1,490 | 1,582 | 7,462 | 16,658 | 48,450 |
| Bank fees | 20,117 | 6,034 | 2,011 | 4,023 | 8,046 | 40,231 |
| Memberships and subscriptions | 14,062 | 1,085 | - | 19,831 | 3,296 | 38,274 |
| Telephone | 27,040 | 4,463 | 440 | 4,915 | 1,290 | 38,148 |
| | <u>\$ 42,143,496</u> | <u>\$ 1,562,804</u> | <u>\$ 291,252</u> | <u>\$ 1,209,830</u> | <u>\$ 1,917,333</u> | <u>\$ 47,124,715</u> |

See accompanying notes.

Dare to Care, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

| | Program services | | | Supporting services | | Total |
|--------------------------------------|---------------------------------------|----------------------|--------------------------------------|---------------------|---------------------|----------------------|
| | Food bank and foundational food | Community Kitchen | Kid's Café and school programs | Administration | Fundraising | |
| Distribution of food and commodities | \$ 37,186,934 | \$ 684,103 | \$ 150,135 | \$ - | \$ - | \$ 38,021,172 |
| Salaries/wages and benefits | 1,818,198 | 456,150 | 75,795 | 568,632 | 563,969 | 3,482,744 |
| Public relations | 6,353 | 551 | - | 531 | 888,834 | 896,269 |
| Freight | 430,692 | - | - | - | - | 430,692 |
| Depreciation | 378,295 | 217,863 | - | 44,577 | 44,577 | 685,312 |
| Other miscellaneous expenses | 441,479 | 1,747 | 28 | 21,545 | 427 | 465,226 |
| Warehouse expenses | 274,710 | 5,111 | 461 | 417 | - | 280,699 |
| Payroll taxes | 126,246 | 31,349 | 4,548 | 36,565 | 34,924 | 233,632 |
| Repairs and maintenance | 121,394 | 32,973 | - | 34,062 | - | 188,429 |
| Utilities | 97,251 | 43,609 | 708 | 25,617 | 5,065 | 172,250 |
| Professional and consulting fees | 89,381 | 5,701 | 125 | 94,117 | 31,152 | 220,476 |
| Rent | 209,549 | - | - | - | - | 209,549 |
| Special events | - | - | - | - | 5,876 | 5,876 |
| Insurance | 104,800 | 8,328 | 2,999 | 7,975 | 10,889 | 134,991 |
| Truck expenses | 60,071 | 7,638 | 1,783 | 59 | - | 69,551 |
| Supplies and other office expenses | 9,227 | 4,620 | 1,105 | 15,231 | 1,937 | 32,120 |
| Meetings, conferences, and travel | 17,093 | 487 | 259 | 8,962 | 3,925 | 30,726 |
| Bank fees | 23,385 | 7,014 | 2,338 | 4,676 | 9,352 | 46,765 |
| Memberships and subscriptions | 11,061 | 1,105 | - | 6,034 | 187 | 18,387 |
| Telephone | 22,222 | 3,680 | 420 | 9,481 | 680 | 36,483 |
| | <u>\$ 41,428,341</u> | <u>\$ 1,512,029</u> | <u>\$ 240,704</u> | <u>\$ 878,481</u> | <u>\$ 1,601,794</u> | <u>\$ 45,661,349</u> |

See accompanying notes.

Dare to Care, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (3,498,405) | \$ 6,773,171 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Non-cash receipts of donated food and USDA inventory | (34,756,413) | (37,227,545) |
| Non-cash distributions of donated food and USDA inventory | 36,622,151 | 36,546,473 |
| Net realized and unrealized (gains) losses on investments | 1,777,390 | (1,326,220) |
| Contributions and grants restricted for purchases of property and equipment | (13,395) | (43,256) |
| Net (gain) loss on sales of property and equipment | (11,400) | 33,703 |
| Depreciation | 688,018 | 685,312 |
| Contributed rent expense (revenue) | 38,895 | 38,895 |
| Changes in assets and liabilities | | |
| Accounts receivable | (7,504) | 3,619 |
| Contributions and grants receivable | 747,936 | 597,358 |
| Inventory | (68,227) | (3,368) |
| Prepaid expenses and other current assets | (45,049) | 104,459 |
| Accounts payable | 174,774 | 22,216 |
| Refundable advance | - | (530,000) |
| Accrued expenses and other current liabilities | 283,021 | 25,173 |
| Net cash provided by operating activities | <u>1,931,792</u> | <u>5,699,990</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of investments | 6,445,779 | 2,614,542 |
| Proceeds from sales of property and equipment | 11,400 | 4,000 |
| Purchases of investments | (10,727,049) | (2,763,289) |
| Purchases of property and equipment | <u>(214,130)</u> | <u>(544,665)</u> |
| Net cash used in investing activities | <u>(4,484,000)</u> | <u>(689,412)</u> |
| Cash flows from financing activities | | |
| Proceeds from contributions and grants restricted for purchases of property and equipment | <u>13,395</u> | <u>43,256</u> |
| Change in cash and cash equivalents | (2,538,813) | 5,053,834 |
| Cash and cash equivalents, beginning of year | <u>9,749,683</u> | <u>4,695,849</u> |
| Cash and cash equivalents, end of year | <u>\$ 7,210,870</u> | <u>\$ 9,749,683</u> |

See accompanying notes.

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended June 30, 2022 and 2021

Note A - Nature of Operations/Consolidated Financial Statements

Dare to Care, Inc. ("Dare to Care") 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. Dare to Care fulfills its mission by partnering with over 250 food pantries, shelters, and/or emergency kitchens throughout the community. Dare to Care solicits surplus product from the food industry locally and nationally, through its membership in Feeding America, a nationwide network of food banks and the leading domestic hunger-relief charity throughout the United States. Dare to Care is principally supported through contributions, grants, and the receipts of donated food and food commodities.

The accompanying consolidated financial statements include the accounts of Dare to Care and its two wholly-owned subsidiaries (hereafter collectively referred to as the "Organization"), Dare to Care Community Kitchen, LLC (the operations of the Community Kitchen) and Dare to Care Transportation, LLC (the operations of the vehicles owned and leased by the Organization), both of which are Kentucky limited liability companies formed during the year ended June 30, 2021. As applicable, all significant inter-company accounts and transactions have been eliminated in consolidation.

As limited liability companies, except as otherwise provided for by Kentucky law, no member, manager, agent, or employee of Dare to Care Community Kitchen, LLC and Dare to Care Transportation, LLC shall be personally liable for the debts, obligations, or liabilities of the respective entities, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, manager, agent, or employee.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The accompanying consolidated 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 following two classes of net assets:
 - 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 management and Dare to Care's 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, whereby 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 consolidated 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 the satisfaction of the time or purpose restriction.

3. Use of Estimates: The preparation of consolidated 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.

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

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 consolidated 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 Department of Health, and food purchased by the Organization. Donated food and USDA commodities inventory 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 (see Note D). 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 consolidated 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 consolidated financial statements.

Investments are made by the investment manager and are monitored by Dare to Care's Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes its 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.

During the year ended June 30, 2020, the Organization received contributed rent from a donor. The contributed rent has been included in contributions and grants receivable (see Note E).

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

9. Non-cash Contributions (Continued): Throughout the year individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received the benefit of approximately 15,000 and 22,000 volunteer hours during the years ended June 30, 2022 and 2021, respectively. Calculated at the federal minimum wage rate, the value of these volunteer hours totals approximately \$110,000 and \$160,000 for the years ended June 30, 2022 and 2021, respectively. Such volunteer services do not meet the requirements for recognition and, therefore, are not recorded in the accompanying consolidated financial statements.
10. Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the consolidated 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> |
|-----------------------------|------------------------------|
| Salaries/wages and benefits | Time and effort |
| Depreciation | Square footage/asset use |
| Warehouse expenses | Pounds distributed/asset use |
| Utilities | Square footage/asset use |
| Insurance | 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 \$191,100 and \$158,500 for the years ended June 30, 2022 and 2021, respectively.
12. Freight Costs: The costs associated with both preparing food to be delivered (the value-added packaging costs) and having food delivered to the Organization's warehouse, are expensed as freight costs as incurred. Such costs total approximately \$747,000 and \$430,700 for the years ended June 30, 2022 and 2021, respectively.
13. Income Taxes: Dare to Care 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. Dare to Care Community Kitchen, LLC and Dare to Care Transportation, LLC are both single member limited liability companies. Accordingly, no provision or liability for income taxes has been included in the accompanying consolidated 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 consolidated 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 consolidated financial statements were available to be issued.

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

15. Reclassifications: Certain amounts presented in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation. There have been no changes to the 2021 change in net assets or total net assets as of June 30, 2021 as a result of these reclassifications.
16. Recently Issued Accounting Standards Updates: In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*. The standard requires contributed non-financial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosures regarding valuation techniques and categories of contributed non-financial assets and their use. The Organization adopted the provisions of this standard as of and for the year ended June 30, 2022 with no material impact on the Organization's consolidated financial statements. See Note D with respect to the receipts of donated food and USDA commodities.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization has begun its evaluation of the impact of this standard and currently anticipates a material impact to the consolidated financial statements upon adoption as a result of the recognition of a material right-of-use asset and lease liability on the consolidated statement of financial position.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard requires a financial asset (including "trade" receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024. The Organization is currently in the process of evaluating the impact of the adoption of this standard on the consolidated 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, 2022, receivables from two donors/grantors represent 25% of total contributions and grants receivable (excluding contributed rent). At June 30, 2021, receivables from three donors/grantors represent 56% of total contributions and grants receivable (excluding contributed rent).

For the years ended June 30, 2022 and 2021, 80% and 71%, respectively, of total revenues and other support consists of the revenue from donated food (58% and 34%, respectively) and USDA commodities received (22% and 37%, respectively).

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note D - Inventory

At June 30, 2022 and 2021, inventory consists of the following:

| | <u>2022</u> | <u>2021</u> |
|------------------|---------------------|---------------------|
| Donated food | \$ 843,313 | \$ 597,483 |
| USDA commodities | 2,865,607 | 4,977,175 |
| Purchased food | <u>307,477</u> | <u>239,250</u> |
| | <u>\$ 4,016,397</u> | <u>\$ 5,813,908</u> |

The majority of the food that is distributed by the Organization has either been donated or has been received from the USDA under federal financial assistance programs.

The approximate average wholesale value of one pound of donated product at the national level was determined by Feeding America to be \$1.70 and \$1.49 for the years ended June 30, 2022 and 2021, respectively. Revenue from donated food (and USDA commodities; see below) received, as well as the related value of donated food (and USDA commodities; see below) distributed and the value of undistributed donated food (and USDA commodities; see below) inventory as of year-end, are estimated by valuing the respective number of pounds at the per pound value.

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, 2022 and 2021:

| | <u>2022</u> | | <u>2021</u> | |
|-------------|---------------|---------------|---------------|---------------|
| | <u>Pounds</u> | <u>Value</u> | <u>Pounds</u> | <u>Value</u> |
| Received | 14,780,000 | \$ 25,134,362 | 12,121,000 | \$ 18,059,977 |
| Distributed | 14,608,000 | 24,888,532 | 12,081,000 | 18,014,624 |

The Organization also receives and distributes food 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"). In Indiana, both federal programs are administered at the state level by the Indiana Department of Health. The USDA commodities are passed-through to the Organization by the Division and the Indiana Department of Health to be distributed to the intended recipients.

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 Organization is reimbursed for the costs (not to exceed the total amount of approved costs under each program 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, 2022 and 2021:

| | <u>2022</u> | | <u>2021</u> | |
|-------------|---------------|--------------|---------------|---------------|
| | <u>Pounds</u> | <u>Value</u> | <u>Pounds</u> | <u>Value</u> |
| Received | 5,696,000 | \$ 9,622,051 | 12,922,000 | \$ 19,167,568 |
| Distributed | 7,363,000 | 11,733,619 | 12,416,000 | 18,531,849 |

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note E - Contributions and Grants Receivable

At June 30, 2022 and 2021, contributions and grants receivable, net consist of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Contributed rent | \$ 1,269,000 | \$ 1,316,000 |
| Other | <u>1,270,006</u> | <u>2,016,086</u> |
| | 2,539,006 | 3,332,086 |
| Less discounts to net present value | <u>223,478</u> | <u>229,727</u> |
| | <u>\$ 2,315,528</u> | <u>\$ 3,102,359</u> |

Discount rates of 2.99% and 0.46% were used in determining the net present value of the long-term receivables at June 30, 2022 and 2021, respectively. During the year ended June 30, 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>2022</u> | <u>2021</u> |
|-------------------------------------------------|---------------------|---------------------|
| Estimated to be collected in less than one year | \$ 1,135,006 | \$ 1,568,753 |
| Estimated to be collected in one to five years | <u>135,000</u> | <u>447,333</u> |
| | <u>\$ 1,270,006</u> | <u>\$ 2,016,086</u> |

Note F - Property and Equipment

At June 30, 2022 and 2021, property and equipment, net consists of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------|---------------------|---------------------|
| Land | \$ 94,241 | \$ 94,241 |
| Buildings | 7,205,243 | 7,103,398 |
| Leasehold improvements | 151,006 | 151,006 |
| Warehouse equipment | 897,069 | 876,572 |
| Community Kitchen equipment | 1,243,137 | 1,243,137 |
| Office equipment, furniture, fixtures, and other | 666,956 | 644,889 |
| Vehicles | <u>1,003,874</u> | <u>976,730</u> |
| | 11,261,526 | 11,089,973 |
| Less accumulated depreciation | <u>4,632,520</u> | <u>3,987,079</u> |
| | <u>\$ 6,629,006</u> | <u>\$ 7,102,894</u> |

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note G - Board Designated Net Assets

As of June 30, 2022 and 2021, Dare to Care's Board of Directors ("Board") has designated \$9,826,452 and \$7,409,291, respectively, to be used for specific capital expenditures and/or program services as approved during the course of the budget process by the Board, the Finance Committee thereof, and Dare to Care's Executive Director.

Note H - Net Assets With Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions consist of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------------|---------------------|
| Time restriction, rent | \$ 1,050,157 | \$ 1,089,052 |
| Mobile pantry | 288,000 | 439,248 |
| Pilot model pantry | 200,000 | - |
| Equipment/capital expenditures | 175,000 | 13,395 |
| Feeding families | 74,295 | 108,402 |
| Other | 50,775 | 45,518 |
| Feeding kids | 50,000 | 162,500 |
| School programs | 23,166 | 108,022 |
| Prescriptive pantry | 18,946 | 63,300 |
| Capital campaign, operations | - | 500,000 |
| COVID-19 response | - | 212,393 |
| | <u>\$ 1,930,339</u> | <u>\$ 2,741,830</u> |

Net assets released from restrictions consist of the following with respect to the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------------|---------------------|
| Capital campaign, operations | \$ 500,000 | \$ 580,151 |
| COVID-19 response | 212,393 | 202,722 |
| Feeding families | 153,244 | 170,800 |
| Mobile pantry | 151,248 | 50,252 |
| School programs | 143,587 | 198,812 |
| Feeding kids | 112,500 | 298,700 |
| Other | 45,518 | 47,601 |
| Prescriptive pantry | 44,354 | 9,074 |
| Time restriction, rent | 38,895 | 38,895 |
| Equipment/capital expenditures | 13,395 | 13,105 |
| | <u>\$ 1,415,134</u> | <u>\$ 1,610,112</u> |

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

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, 2022 and 2021.

- *Money market funds*: Valued at the net asset value of the shares 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 Community Foundation of Louisville, Inc.*: Valued at the Organization's share of the net asset value at year-end of the comingled underlying assets. The underlying assets are principally valued at the quoted market price on the active market on which the individual underlying assets are traded.

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, 2022, 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 | \$ 604,007 | \$ - | \$ - | \$ 604,007 |
| Fixed income securities | - | 2,579,373 | - | 2,579,373 |
| Equity securities | 6,643,072 | - | - | 6,643,072 |
| Funds held at The Community Foundation of Louisville, Inc. (see Note J) | - | 166,890 | - | 166,890 |
| | <u>\$ 7,247,079</u> | <u>\$ 2,746,263</u> | <u>\$ -</u> | <u>\$ 9,993,342</u> |

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note I - Fair Value Measurements (Continued)

At June 30, 2021, 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 | \$ 429,853 | \$ - | \$ - | \$ 429,853 |
| Fixed income securities | - | 1,899,380 | - | 1,899,380 |
| Equity securities | 5,080,058 | - | - | 5,080,058 |
| Funds held at The Community Foundation of Louisville, Inc. (see Note J) | - | 80,171 | - | 80,171 |
| | <u>\$ 5,509,911</u> | <u>\$ 1,979,551</u> | <u>\$ -</u> | <u>\$ 7,489,462</u> |

Note J - Board Designated Endowment Fund

During 2017, Dare to Care funded a Board designated endowment fund ("fund") with The Community Foundation of Louisville, Inc. ("Foundation") with an initial contribution of \$50,000. The endowment provides funding for Dare to Care'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 its dissolution, Dare to Care reserves the right to name a successor organization to the fund. Dare to Care makes the determination of the amount to be distributed from the amount determined by the Foundation to be available for expenditure. For the year ended June 30, 2022, the net increase in the fund between years relates to a \$120,000 contribution to the fund, plus the fund's net income (loss) from investments, including the net realized and unrealized appreciation (depreciation) for the year, which totals (\$33,281). For the year ended June 30, 2021, the net increase in the fund between years relates entirely to the fund's net income from investments, including the net realized and unrealized appreciation for the year, which totals \$17,804.

Note K - Special Events Fundraising Expense

Special events fundraising expense consists of the following for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------|-------------------|-----------------|
| In-kind items | \$ 29,600 | \$ - |
| Event direct costs | 130,385 | 5,876 |
| | <u>\$ 159,985</u> | <u>\$ 5,876</u> |

Note L - Operating Leases

During 2015, the Organization entered into a lease agreement to lease warehouse space. The lease was renewed during the year ended June 30, 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. At June 30, 2022 and 2021, the monthly payment due under this lease is \$10,268. Lease expense under this lease totals approximately \$123,200 for each of the years ended June 30, 2022 and 2021.

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note L - Operating Leases (Continued)

The Organization has also entered into several vehicle operating leases (ten such leases at June 30, 2022). The terms of the respective vehicle leases end between April 2024 and June 2027. The monthly lease payments (which total \$18,229 per month at June 30, 2022) range from \$1,388 to \$1,889. Lease expense under the vehicle leases totals approximately \$154,500 and \$164,800 for the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022, the future minimum lease payments under all non-cancelable operating leases are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2023 | \$ 249,555 |
| 2024 | 214,587 |
| 2025 | 157,408 |
| 2026 | 81,023 |
| 2027 | <u>66,115</u> |
| | <u>\$ 768,688</u> |

Note M - Retirement Plan

Dare to Care 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 Dare to Care's Board of the Directors and are in amounts up to five percent of the participating employees' compensation. Retirement plan contribution expense for the years ended June 30, 2022 and 2021 totals approximately \$111,400 and \$96,700, respectively.

Note N - 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. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note O - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------------------------------------------------|---------------------|----------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 7,210,870 | \$ 9,749,683 |
| Accounts receivable | 13,963 | 6,459 |
| Contributions and grants receivable, net | 2,315,528 | 3,102,359 |
| Investments | <u>9,993,342</u> | <u>7,489,462</u> |
| Total financial assets | <u>19,533,703</u> | <u>20,347,963</u> |
| Less amounts not available to be used within one year or without Board approval | | |
| Board designated reserve | 9,826,452 | 7,409,291 |
| Board designated endowment | 166,890 | 80,171 |
| Net assets with donor restrictions | <u>1,930,339</u> | <u>2,741,830</u> |
| Total financial assets not available to be used within one year or without Board approval | <u>11,923,681</u> | <u>10,231,292</u> |
| Total financial assets available for general expenditure within one year | <u>\$ 7,610,022</u> | <u>\$ 10,116,671</u> |

While the Organization does not intend to expend the Board designated reserve or the Board designated endowment net assets for purposes other than those for which the funds have been designated, if necessary, such funds could be expended for current operations at the discretion of Dare to Care's Board of Directors.

The Organization's goal is to generally maintain financial assets to meet 90 days of operating expenses (approximately \$2,000,000). As part of the Organization's liquidity plan, excess cash is invested in short-term investments, including money market funds. The Organization has no debt as of June 30, 2022 and 2021.

During 2020, due to an on-going Capital Campaign (see Note Q), the Organization obtained a bank line of credit of up to an aggregate principal amount of \$2,500,000. At June 30, 2022, the line of credit bears interest at a variable interest rate equal to the daily Bloomberg Short Term Bank Yield Index rate plus 1.75% (variable interest rate equal to the daily LIBOR rate plus 1.75% at June 30, 2021) and matures January 2024. There were no borrowings under the line of credit during the years ended June 30, 2022 and 2021.

Dare to Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note P - Refundable Advance

In April 2020, Dare to Care received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of \$530,000. The loan bore interest at 1.00%, was uncollateralized/unsecured, and was for a term of two years with a maturity date of April 2022. Under the CARES Act, subject to limitations, as defined, the loan may partially or fully be forgiven depending on actual payroll and other qualified costs for a specified period following receipt of the loan proceeds.

Pursuant to ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, the PPP loan was initially (at June 30, 2020) recorded as a refundable advance which was subsequently reduced with the offset through earnings presented as non-operating income with respect to the year ended June 30, 2021 as the conditions of release (the related barriers) were substantially met.

During 2021, Dare to Care was notified the loan has been fully forgiven and Dare to Care has been legally released by the U.S. Small Business Administration ("SBA"). In accordance with the related PPP loan guidelines, for a period of up to six years after the loan is partially or fully forgiven and the borrower has been legally released, the SBA reserves the right to audit any PPP loan.

Note Q - Capital Campaign

The Organization started a capital campaign during 2019 to fund a new location principally for its Community Kitchen. The funds with donor restrictions specific to funding the new location for the Community Kitchen were utilized during the year ended June 30, 2020 to finance this project. The new Community Kitchen location largely became fully operational in July 2020. The capital campaign also raised funds restricted for the operations of the new Community Kitchen. Such donor restricted funds have been fully released from restrictions as of June 30, 2022.

Supplementary Information

Dare to Care, Inc. and Subsidiaries
Schedules of Revenues and Expenses
Years Ended June 30, 2022 and 2021

| | 2022 | | 2021 | |
|----------------------------------------------|---------------|---------|---------------|---------|
| Revenues and other support | | | | |
| Donations of food and commodities | \$ 34,756,413 | 79.66% | \$ 37,227,545 | 71.00% |
| Contributions and grants | 9,764,367 | 22.38% | 12,742,222 | 24.30% |
| Special events | 460,839 | 1.06% | 243,363 | 0.46% |
| Other revenues | 217,238 | 0.50% | 740,055 | 1.41% |
| Income from investments, net | 155,953 | 0.36% | 155,115 | 0.30% |
| Net realized gains on investments | 100,598 | 0.23% | 224,751 | 0.43% |
| In-kind donations for fundraising | 48,890 | 0.11% | - | 0.00% |
| Net unrealized gains (losses) on investments | (1,877,988) | -4.30% | 1,101,469 | 2.10% |
| | \$ 43,626,310 | 100.00% | \$ 52,434,520 | 100.00% |
| Expenses | | | | |
| Distribution of food and commodities | \$ 38,130,985 | 87.41% | \$ 38,021,172 | 72.50% |
| Salaries/wages and benefits | 4,252,798 | 9.75% | 3,482,744 | 6.63% |
| Public relations | 946,683 | 2.17% | 896,269 | 1.71% |
| Freight | 747,034 | 1.71% | 430,692 | 0.82% |
| Depreciation | 688,018 | 1.58% | 685,312 | 1.31% |
| Other miscellaneous expenses | 381,396 | 0.87% | 465,226 | 0.89% |
| Warehouse expenses | 283,845 | 0.65% | 280,699 | 0.54% |
| Payroll taxes | 246,105 | 0.56% | 233,632 | 0.45% |
| Repairs and maintenance | 240,072 | 0.55% | 188,429 | 0.36% |
| Utilities | 215,399 | 0.49% | 172,250 | 0.33% |
| Professional and consulting fees | 179,328 | 0.41% | 220,476 | 0.42% |
| Rent | 169,410 | 0.39% | 209,549 | 0.40% |
| Special events | 159,985 | 0.37% | 5,876 | 0.01% |
| Insurance | 145,199 | 0.33% | 134,991 | 0.26% |
| Truck expenses | 104,044 | 0.24% | 69,551 | 0.13% |
| Supplies and other office expenses | 69,311 | 0.16% | 32,120 | 0.06% |
| Meetings, conferences, and travel | 48,450 | 0.11% | 30,726 | 0.06% |
| Bank fees | 40,231 | 0.09% | 46,765 | 0.09% |
| Memberships and subscriptions | 38,274 | 0.09% | 18,387 | 0.04% |
| Telephone | 38,148 | 0.09% | 36,483 | 0.07% |
| | \$ 47,124,715 | 108.02% | \$ 45,661,349 | 87.08% |

See accompanying independent auditor's report.

Dare to Care, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal grantor/pass-through grantor/cluster and/or program title | Federal assistance listing number | Pass-through entity identifying number | Federal expenditures | Non-cash financial assistance | Passed through to sub-recipients |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|
| 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 | \$ 331,863 | \$ - | \$ - |
| <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 | 237,218 | - | - |
| <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 | 62,568 | - | - |
| <i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i> | | | | | |
| Food Distribution Cluster | | | | | |
| Commodity Supplemental Food Program | 10.565 | 2000002342 | 2,155,952 | 1,844,899 | 1,844,899 |
| The Emergency Food Assistance Program (Administrative Costs) | 10.568 | 2000002314 | 743,474 | - | - |
| COVID-19 - The Emergency Food Assistance Program (Administrative Costs) | 10.568 | 2100001992 | 4,161 | - | - |
| The Emergency Food Assistance Program (Food Commodities) | 10.569 | 2000002314 | 5,938,143 | 5,938,143 | 5,938,143 |
| COVID-19 - The Emergency Food Assistance Program (Food Commodities) | 10.569 | 2100001992 | 2,134,021 | 2,134,021 | 2,134,021 |
| <i>Passed-through the Indiana Department of Health</i> | | | | | |
| Food Distribution Cluster | | | | | |
| Commodity Supplemental Food Program | 10.565 | 47932/57598 | 184,896 | 139,933 | 139,933 |
| The Emergency Food Assistance Program (Administrative Costs) | 10.568 | 47932/57598 | 23,396 | - | - |
| COVID-19 - The Emergency Food Assistance Program (Administrative Costs) | 10.568 | 47932/57598 | 117,661 | - | - |
| The Emergency Food Assistance Program (Food Commodities) | 10.569 | 47932/57598 | 1,167,766 | 1,167,766 | 1,167,766 |
| COVID-19 - The Emergency Food Assistance Program (Food Commodities) | 10.569 | 47932/57598 | <u>473,123</u> | 473,123 | 473,123 |
| Total expenditures of federal awards | | | <u>\$ 13,574,242</u> | | |
| Total expenditures of federal awards - COVID-19 only | | | <u>\$ 2,728,966</u> | | |
| Total non-cash financial assistance | | | | <u>\$ 11,697,885</u> | |
| Total passed through to sub-recipients | | | | | <u>\$ 11,697,885</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 13,574,242</u> | | |
| Total Child Nutrition Cluster | | | <u>\$ 237,218</u> | | |
| Total Food Distribution Cluster | | | <u>\$ 12,942,593</u> | | |

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

Dare to Care, Inc. and Subsidiaries
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("schedule") includes the federal grant activity of Dare to Care, Inc. ("Dare to Care") and Subsidiaries 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 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 consolidated financial statements.

Note B - Food Distribution Cluster

Per the U.S. Office of Management and Budget, the Food Distribution Cluster, consists of federal assistance listing 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 Dare to Care's major programs for the year ended June 30, 2022.

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 (federal assistance listing number 10.565) reported on the schedule of expenditures of federal awards for the year ended June 30, 2022 includes an estimate of non-monetary expenditures (distribution of USDA commodities) in the amount of approximately \$2,000,000.

The amount of federal expenditures under the Emergency Food Assistance Program (federal assistance listing number 10.569) reported on the schedule of expenditures of federal awards for the year ended June 30, 2022 includes an estimate of non-monetary expenditures (distribution of USDA commodities) totaling approximately \$9,700,000.

The estimated inventory value of undistributed USDA commodities, under federal award programs, as of June 30, 2022 totals approximately \$2,900,000.

Note D - Sub-recipients

During the year ended June 30, 2022, Dare to Care distributed (an estimate of non-monetary expenditures) to sub-recipients approximately \$2,000,000 of Commodity Supplemental Food Program (federal assistance listing number 10.565) food commodities and approximately \$9,700,000 of Emergency Food Assistance Program (federal assistance listing number 10.569) food commodities.

Note E - Indirect Cost Rate

Dare to Care does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated 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 consolidated financial statements of Dare to Care, Inc. (a non-profit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Dare to Care, Inc. and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dare to Care, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Dare to Care, Inc. and Subsidiaries' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dare to Care, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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. and Subsidiaries' 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. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Louisville, Kentucky
November 18, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and 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

Opinion on Each Major Federal Program

We have audited Dare to Care, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of Dare to Care, Inc. and Subsidiaries' major federal programs for the year ended June 30, 2022. Dare to Care, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Dare to Care, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Dare to Care, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Dare to Care, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Dare to Care, Inc. and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Dare to Care, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Dare to Care, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

MCM CPAs & Advisors LLP

www.mcmcpa.com
888.587.1719

A Member of PrimeGlobal – An Association
of Independent Accounting Firms

Kentucky
Indiana
Ohio

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

Auditor's Responsibilities for the Audit of Compliance (Continued)

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Dare to Care, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Dare to Care, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Dare to Care, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

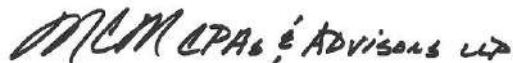
Report on Internal Control Over Compliance

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, non-compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
November 18, 2022

Dare to Care, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Audit Results

Consolidated Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Non-compliance material to the consolidated financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance? yes no

Identification of major federal programs:

| | |
|------------------------------------------|-------------------------------------|
| <u>Federal assistance listing number</u> | <u>Cluster and/or program title</u> |
|------------------------------------------|-------------------------------------|

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. and Subsidiaries
Schedule of Prior Audit Findings and Their Resolution
Year Ended June 30, 2022

Section I - Findings-Financial Statement Audit

None

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

None