

Dare to Care, Inc.

Financial Statements

Years Ended June 30, 2019 and 2018

Dare to Care, Inc.

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Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note B1, the organization has adopted Financial Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019, 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 3, 2019

Dare to Care, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,550,935	\$ 2,629,757
Accounts receivable	4,653	7,555
Contributions and grants receivable	2,194,621	608,243
Inventory	5,236,983	2,897,627
Prepaid expenses and other current assets	<u>35,752</u>	<u>99,897</u>
Total Current Assets	10,022,944	6,243,079
Investments	6,186,331	6,201,888
Contributions and Grants Receivable, less current portion, net	624,334	392,097
Property and equipment, net	<u>1,980,599</u>	<u>1,909,251</u>
Total Assets	<u>\$ 18,814,208</u>	<u>\$ 14,746,315</u>
Liabilities and Net assets		
Current Liabilities		
Accounts payable	\$ 137,136	\$ 105,482
Accrued expenses and other current liabilities	<u>126,582</u>	<u>77,577</u>
Total Current Liabilities	263,718	183,059
Net Assets		
Without donor restrictions	15,295,367	13,366,343
Board designated for capital expenditures	244,000	242,000
Board designated endowment	<u>60,891</u>	<u>58,367</u>
Total Net Assets Without Donor Restriction	15,600,258	13,666,710
With donor restrictions	<u>2,950,232</u>	<u>896,546</u>
Total Net Assets	<u>18,550,490</u>	<u>14,563,256</u>
Total Liabilities and Net Assets	<u>\$ 18,814,208</u>	<u>\$ 14,746,315</u>

See accompanying notes.

Dare to Care, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 6,084,158	\$ 3,085,353	\$ 9,169,511	\$ 5,875,910	\$ 845,019	\$ 6,720,929
Donations of food and commodities	37,319,348	-	37,319,348	31,265,544	-	31,265,544
In-kind donations for fundraising	101,327	-	101,327	102,100	-	102,100
Special events	187,232	-	187,232	306,058	-	306,058
Other revenues	117,181	-	117,181	132,006	-	132,006
Income from investments, net	199,515	-	199,515	133,718	-	133,718
Net realized gain on investments	107,706	-	107,706	723,501	-	723,501
Net unrealized loss on investments	(55,710)	-	(55,710)	(499,090)	-	(499,090)
	<u>44,060,757</u>	<u>3,085,353</u>	<u>47,146,110</u>	<u>38,039,747</u>	<u>845,019</u>	<u>38,884,766</u>
Net assets released from restrictions	<u>1,031,667</u>	<u>(1,031,667)</u>	<u>-</u>	<u>991,297</u>	<u>(991,297)</u>	<u>-</u>
Total Support and Revenue	45,092,424	2,053,686	47,146,110	39,031,044	(146,278)	38,884,766
Expenses and Losses						
Program services	40,677,931	-	40,677,931	37,512,341	-	37,512,341
Administration	777,156	-	777,156	747,782	-	747,782
Fundraising	1,703,789	-	1,703,789	1,554,090	-	1,554,090
Total Expenses and Losses	<u>43,158,876</u>	<u>-</u>	<u>43,158,876</u>	<u>39,814,213</u>	<u>-</u>	<u>39,814,213</u>
Change in Net Assets	1,933,548	2,053,686	3,987,234	(783,169)	(146,278)	(929,447)
Net Assets, beginning of year	<u>13,666,710</u>	<u>896,546</u>	<u>14,563,256</u>	<u>14,449,879</u>	<u>1,042,824</u>	<u>15,492,703</u>
Net Assets, end of year	<u>\$ 15,600,258</u>	<u>\$ 2,950,232</u>	<u>\$ 18,550,490</u>	<u>\$ 13,666,710</u>	<u>\$ 896,546</u>	<u>\$ 14,563,256</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	\$ -	
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
Repairs and Maintenance	144,814	33,757	-	17,268	-	195,839
Professional and Consulting Fees	104,692	-	146	57,712	20,414	182,964
Rent	151,809	28,482	-	-	-	180,291
Special Events	-	-	-	-	174,489	174,489
Utilities	84,615	27,204	1,208	7,944	4,767	125,738
Other Miscellaneous Expenses	40,648	83	-	51,797	34	92,562
Truck Expenses	74,979	11,810	3,718	-	-	90,507
Insurance	64,191	7,320	840	6,826	4,199	83,376
Meetings, Conferences, and Travel	9,461	1,496	5,881	20,833	9,535	47,206
Memberships and Subscriptions	11,752	750	-	20,970	150	33,622
Supplies and Other Office Expenses	12,600	3,933	142	13,677	2,040	32,392
Telephone	20,244	1,793	760	580	1,060	24,437
Bank Fees	8,778	-	878	3,511	4,389	17,556
	<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.
Statement of Functional Expenses
Years Ended June 30, 2018

	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	\$ 32,563,635	\$ 543,741	\$ 512,465	\$ -	\$ -	\$ 33,619,841
Salaries/Wages and Benefits	1,469,155	361,022	88,327	496,227	385,018	2,799,749
Public Relations	5,231	2,984	-	491	880,708	889,414
Freight	575,268	-	-	-	-	575,268
Warehouse Expenses	223,034	6,569	16,337	766	-	246,706
Depreciation	213,675	57,736	-	28,883	-	300,294
Payroll Taxes	103,597	23,468	5,720	33,516	21,931	188,232
Repairs and Maintenance	140,708	32,408	-	45,476	-	218,592
Professional and Consulting Fees	22,688	-	146	43,089	25,498	91,421
Rent	145,440	28,200	-	-	-	173,640
Special Events	-	-	-	-	219,072	219,072
Utilities	90,256	28,260	1,009	6,640	3,984	130,149
Other Miscellaneous Expenses	30,013	957	-	39,673	615	71,258
Truck Expenses	66,146	8,717	7,218	-	-	82,081
Insurance	47,489	9,196	612	6,818	3,059	67,174
Meetings, Conferences, and Travel	15,702	210	7,030	11,123	8,591	42,656
Memberships and Subscriptions	15,840	705	-	19,902	149	36,596
Supplies and Other Office Expenses	7,967	2,374	25	11,670	745	22,781
Telephone	20,639	1,716	600	560	1,035	24,550
Bank Fees	7,369	-	737	2,948	3,685	14,739
	<u>\$ 35,763,852</u>	<u>\$ 1,108,263</u>	<u>\$ 640,226</u>	<u>\$ 747,782</u>	<u>\$ 1,554,090</u>	<u>\$ 39,814,213</u>

See accompanying notes.

Dare to Care, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,987,234	\$ (929,447)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized gains on investments	(51,996)	(224,411)
Contributions and grants restricted for purchases of property and equipment	(1,972,950)	(176,390)
Receipt of donated and USDA inventory	(37,319,348)	(31,265,544)
Distribution of donated and USDA inventory	35,026,509	31,954,568
Loss on sales of property and equipment	12,726	-
Depreciation	288,191	300,294
Changes in assets and liabilities		
Accounts receivable	2,902	290
Contributions and grants receivable	(308,615)	473,575
Inventory	(46,517)	(24,981)
Prepaid expenses and other current assets	64,145	(71,815)
Accounts payable	31,654	20,323
Accrued expenses and other current liabilities	49,005	(20,589)
	<u>(237,060)</u>	<u>35,873</u>
Net Cash (Used in) Provided by Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	6,844,223	4,389,558
Purchases of investments	(6,776,670)	(4,276,383)
Purchases of property and equipment	(372,265)	(131,500)
	<u>(304,712)</u>	<u>(18,325)</u>
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Proceeds from contributions and grants restricted for purchases of property and equipment	462,950	176,390
	<u>(78,822)</u>	<u>193,938</u>
Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, beginning of year	2,629,757	2,435,819
	<u>\$ 2,550,935</u>	<u>\$ 2,629,757</u>
Cash and Cash Equivalents, end of year		

See accompanying notes.

Dare to Care, Inc.
Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

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.

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

5. Receivables: The Organization considers all accounts, contributions, and grants receivable to be fully collectible. Accordingly, no allowance for doubtful receivables is reflected in the accompanying financial statements. If amounts are subsequently determined to be uncollectible, they will be charged to operations when that determination is made.

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

6. Inventory: Inventory consists of food that has been donated, U.S. Department of Agriculture (USDA) commodities passed-through to the Organization by the Kentucky Department of Agriculture Division of Food Distribution and the Indiana State Department of Health, and food purchased by the Organization. Donated food and USDA commodities inventory (see Note D) is valued using the approximate average wholesale value per pound of donated product based on an annual study performed by Feeding America, a nationwide network of food banks and the leading domestic hunger-relief charity throughout the United States. Purchased food inventory is valued at cost determined on a first-in, first-out basis.
7. Investments: Investments are stated at fair value with gains and losses included in the change in net assets per the accompanying statements of activities. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

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

8. Property and Equipment, net: Property and equipment is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts.

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.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

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.

Throughout the year individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received the benefit of approximately 47,000 and 50,000 volunteer hours during the years ended June 30, 2019 and 2018, respectively. Calculated at the federal minimum wage rate, the value of these volunteer hours totals approximately \$343,000 and \$361,000 for the years ended June 30, 2019 and 2018, respectively. Such volunteer services do not meet the requirements for recognition and, therefore, are not recorded in the accompanying financial statements.

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
Salaries and Benefits	Time and effort
Utilities	Square footage
Insurance	Square footage
Depreciation	Square footage
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 \$269,000 and \$264,300 for the years ended June 30, 2019 and 2018, 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 \$573,100 and \$575,300 for the years ended June 30, 2019 and 2018, 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.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

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.

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 will be effective for the fiscal year ending June 30, 2020.

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

Management is currently evaluating ASU 2018-08 and ASU 2016-02 and the related impact thereof on the Organization's financial statements.

16. Reclassification: Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation, with no effect on net assets or to the changes in net assets.

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, 2019 and 2018, receivables from three and two grantors represent 57% and 50%, respectively, of total contributions and grants receivable.

For 2019 and 2018, approximately 29% and 19%, respectively, of total support and revenue consists of revenue from USDA commodities received.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note D - Inventory

At June 30, 2019 and 2018, inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Donated Food	\$ 480,458	\$ 572,368
USDA Commodities	4,519,125	2,134,374
Purchased Food	<u>237,400</u>	<u>190,885</u>
	<u>\$ 5,236,983</u>	<u>\$ 2,897,627</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 \$1.57 and \$1.52 for the years ended June 30, 2019 and 2018, 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.

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, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Received	15,152,000	\$ 23,756,368	15,570,000	\$ 23,853,689
Distributed	15,223,000	23,848,278	15,701,000	24,102,198

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, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Received	8,639,000	\$ 13,562,980	4,888,000	\$ 7,411,855
Distributed	7,164,000	11,178,231	5,083,000	7,852,370

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note E - Contributions and Grants Receivable

At June 30, 2019 and 2018, contributions and grants receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 1,510,000	\$ -
Other	<u>1,324,621</u>	<u>1,013,243</u>
	2,834,621	1,013,243
Less discounts to net present value	<u>15,666</u>	<u>12,903</u>
	<u><u>\$ 2,818,955</u></u>	<u><u>\$ 1,000,340</u></u>

A discount rate of 1.71% and 2.63% were used in determining the net present value of the long-term receivables at June 30, 2019 and 2018, respectively.

Amounts to be collected from contributions and grants receivable are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Estimated to be Collected in less Than One Year	\$ 2,194,621	\$ 608,243
Estimated to be Collected in One to Five Years	<u>640,000</u>	<u>405,000</u>
	<u><u>\$ 2,834,621</u></u>	<u><u>\$ 1,013,243</u></u>

Note F - Property and Equipment, net

At June 30, 2019 and 2018, net property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 94,241	\$ 94,241
Buildings	2,508,699	2,472,934
Leasehold Improvements	151,006	151,006
Warehouse Equipment	819,169	817,474
Community Kitchen Equipment	359,149	359,149
Office Equipment, Furniture, Fixtures, and Other	384,231	401,772
Vehicles	961,928	970,091
Construction in Progress	<u>63,131</u>	<u>-</u>
	5,341,554	5,266,667
Accumulated depreciation	<u>(3,360,955)</u>	<u>(3,357,416)</u>
	<u><u>\$ 1,980,599</u></u>	<u><u>\$ 1,909,251</u></u>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note G - Board Designated Net Assets

As of June 30, 2019 and 2018, the Organization's Board of Directors (Board) has designated \$244,000 and \$242,000, respectively, to be used for specific capital expenditures as submitted to and approved during the course of the budget process by the Board, the Finance Committee, and the Organization's Executive Director. Otherwise such Board designated funds may be used for program services as needed, when approved in the manner as indicated above. Such net assets were designated by the Board in March to be expended during the next fiscal year.

Note H - Net Assets with Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 1,895,250	\$ 5,000
Feeding Kids	549,860	100,000
Prescriptive/School Pantry	99,996	45,025
Other	97,222	11,348
Time Restriction	84,334	342,097
Partner Agencies	75,000	-
Equipment/Capital Expenses	69,950	151,882
Backpack Program	60,620	17,476
Feeding Families	18,000	50,000
Donor Designated Purpose	-	119,265
Produce	-	54,453
	<u>\$ 2,950,232</u>	<u>\$ 896,546</u>

Net assets released from restrictions consist of the following with respect to the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time Restriction	\$ 257,763	\$ 205,000
Feedings Kids	216,620	50,000
Feeding Seniors	93,720	-
Equipment/Capital expenses	92,192	24,508
Backpack Program	60,779	129,699
Capital Campaign	60,000	10,000
Prescriptive/School Pantry	57,529	12,975
Produce	54,453	45,547
Feeding Families	50,000	386,000
Other	32,366	10,418
Family Scholar House	31,984	20,000
Volunteer Zone	24,261	-
Community Kitchen	-	87,000
Purchases/Distribution of Food	-	10,150
	<u>\$ 1,031,667</u>	<u>\$ 991,297</u>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

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, 2019 and 2018.

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, 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>

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note I - Fair Value Measurements (Continued)

At June 30, 2018, 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	\$ 286,803	\$ -	\$ -	\$ 286,803
Fixed Income Securities	-	1,820,944	-	1,820,944
Equity Securities	4,035,774	-	-	4,035,774
Funds Held at the Louisville Community Foundation, Inc. (Note J)	-	58,367	-	58,367
	<u>\$ 4,322,577</u>	<u>\$ 1,879,311</u>	<u>\$ -</u>	<u>\$ 6,201,888</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
In-kind Items	\$ 101,327	\$ 102,100
Event Direct Costs	73,162	116,972
	<u>\$ 174,489</u>	<u>\$ 219,072</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 2017 for a term of 36 months expiring in March 2020. The Organization however has the option to terminate the lease after 24 months upon giving 120 days prior written notice. Subsequent to the 36 month lease term, the Organization may continue to lease the warehouse space on a month to month basis. When extending the lease, the Organization received a reduced monthly rent. The current monthly payment due under this lease at June 30, 2019 is \$12,135. Lease expense under this lease totals approximately \$145,500 for each of the years ended June 30, 2019 and 2018.

Dare to Care, Inc.
Notes to the Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

Note L - Operating Leases (Continued)

During 2013, the Organization entered into a lease agreement to lease space in which it operates the Community Kitchen. The lease expired in December 2015. During 2016, Organization extended the lease through December 2018. In December 2018, the Organization extended the lease through December 2019 with a month-to-month extension after the one year period ends. The monthly payment increased in December 2018 when the lease was extended to \$2,397. The amount due under this lease before the extension in December 2018 was \$2,350. Lease expense under this lease totals \$28,482 and \$28,200 for each of the years ended June 30, 2019 and 2018, respectively.

During 2018 and 2019, the Organization entered into seven vehicle leases. The vehicle leases range in expiration from April 2021 to November 2025. The monthly payments under these leases totaled approximately \$88,250 and \$25,640 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019, the future minimum lease payments under all non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 234,246
2021	119,646
2022	104,461
2023	103,308
2024	99,144
Thereafter	<u>77,863</u>
	<u>\$ 738,668</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 \$13,388 and \$12,696 to Feeding America during the years ended June 30, 2019 and 2018, 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, 2019 and 2018 totals approximately \$86,800 and \$81,500, 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, 2019 and 2018

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 2,550,935	\$ 2,629,757
Accounts Receivable	4,653	7,555
Contributions and Grants Receivable, net	2,818,955	1,000,340
Investments	<u>6,186,331</u>	<u>6,201,888</u>
 Total Financial Assets Available	 <u>\$ 11,560,874</u>	 <u>\$ 9,839,540</u>
 Less Amounts not Available for General Expenditures Within One Year		
Net assets with donor restrictions	\$ (2,950,232)	\$ (896,546)
 Less Amounts Unavailable to Management Without Board's Approval		
Board designated net assets	(244,000)	(242,000)
Board designated endowment	<u>(60,891)</u>	<u>(58,367)</u>
 Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 8,305,751</u>	 <u>\$ 8,642,627</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, 2019 or 2018.

Note Q - 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 goal of the Capital Campaign is to raise approximately \$6,700,000 in pledges and at June 30, 2019 approximately \$2,000,000 has been pledged or received. The funds with donor restrictions for the Capital Campaign will be utilized during the year ended June 30, 2020 to finance this project. A location, to be leased, has been approved and construction related to this project is anticipated to be completed by March 30, 2020.

Supplementary Information

Dare to Care, Inc.
Schedules of Revenues and Expenses
Years Ended June 30, 2019 and 2018

	2019		2018	
Support and Revenue				
Donations of food and commodities	\$ 37,319,348	79.16%	\$31,265,544	80.41%
Contributions and grants	9,169,511	19.45%	6,720,929	17.28%
Income from investments, net	199,515	0.42%	133,718	0.34%
Special events	187,232	0.40%	306,058	0.79%
Other revenues	117,181	0.25%	132,006	0.34%
Net realized gains on investments	107,706	0.23%	723,501	1.86%
In-kind donations for fundraising	101,327	0.21%	102,100	0.26%
Net unrealized (losses) gains on investments	(55,710)	-0.12%	(499,090)	-1.28%
	\$ 47,146,110	100.00%	\$ 38,884,766	100.00%
Expenses and Losses				
Distribution of food and commodities	\$ 36,506,827	77.43%	\$ 33,619,841	86.46%
Salaries/wages and benefits	3,024,056	6.41%	2,799,749	7.20%
Public relations	994,091	2.11%	889,414	2.29%
Freight	573,082	1.22%	575,268	1.48%
Warehouse expenses	293,457	0.62%	246,706	0.63%
Depreciation	288,191	0.61%	300,294	0.77%
Payroll taxes	198,193	0.42%	188,232	0.48%
Repairs and maintenance	195,839	0.42%	218,592	0.56%
Professional and consulting fees	182,964	0.39%	91,421	0.24%
Rent	180,291	0.38%	173,640	0.45%
Special events	174,489	0.37%	219,072	0.56%
Utilities	125,738	0.27%	130,149	0.33%
Other miscellaneous expenses	92,562	0.20%	71,258	0.18%
Truck expenses	90,507	0.19%	82,081	0.21%
Insurance	83,376	0.18%	67,174	0.17%
Meetings, conferences, and travel	47,206	0.10%	42,656	0.11%
Memberships and subscriptions	33,622	0.07%	36,596	0.09%
Supplies and other office expenses	32,392	0.07%	22,781	0.06%
Telephone	24,437	0.05%	24,550	0.06%
Bank fees	17,556	0.04%	14,739	0.04%
	\$ 43,158,876	91.51%	\$ 39,814,213	102.39%

See accompanying independent auditor's report.

Dare to Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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	\$ 497,454	\$ -	\$ -
<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	206,680	-	-
<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	50,906	-	-
Child Nutrition Cluster					
Summer Food Service Program for Children	10.559	1930100	1,400	-	-
<i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i>					
Food Distribution Cluster					
Commodity Supplemental Food Program	10.565	1900000069	3,941,551	3,449,228	3,421,138
The Emergency Food Assistance Program (Administrative Costs)	10.568	1900000055	389,121	-	83,390
The Emergency Food Assistance Program (Food Commodities)	10.569	1900000055	6,535,438	6,535,438	6,535,438
<i>Passed-through the Indiana State Department of Health</i>					
Food Distribution Cluster					
The Emergency Food Assistance Program (Administrative Costs)	10.568	29139	36,060	-	-
The Emergency Food Assistance Program (Food Commodities)	10.569	29139	1,193,565	1,193,565	1,193,565
<i>Passed-through the Kentucky Association of Food Banks</i>					
Community Food Projects	10.255	n/a	62,504	-	-
<i>Passed-through the Kentucky Department of Agriculture (Division of Food Distribution)</i>					
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	1900003668	82,030	-	-
Total Expenditures of Federal Awards			<u>\$ 12,996,709</u>		
Total Non-cash Financial Assistance				<u>\$ 11,178,231</u>	
Total Amounts Paid to Subrecipients					<u>\$ 11,233,531</u>
Total U.S. Department of Agriculture			<u>\$ 12,996,709</u>		
Total Child Nutrition Cluster			<u>\$ 208,080</u>		
Total Food Distribution Cluster			<u>\$ 12,095,735</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, 2019

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, 2019.

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, 2019 includes an estimate of non-monetary expenditures (distribution of USDA commodities) in the amount of approximately \$3,450,000.

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, 2019 includes an estimate of non-monetary expenditures (distribution of USDA commodities) totaling approximately \$7,730,000.

The estimated inventory value of undistributed USDA commodities as of June 30, 2019 totals approximately \$4,519,000.

Note D - Subrecipients

During the year ended June 30, 2019, the Organization distributed a total of approximately \$11,178,000 (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 \$11,150,000 of which was distributed to subrecipients (approximately 99.8% of the USDA commodities distributed between the two programs).

During the year ended June 30, 2019, the Organization provided approximately \$83,000 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, 2019, 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 3, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 3, 2019



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, 2019. 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.

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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, 2019.

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 3, 2019

Dare to Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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>
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 Prior Audit Findings and Their Resolution
Year Ended June 30, 2018

Section I - Financial Statement Audit

None

Section II - Major Federal Award Program Audit

2018-001 - Monitoring of Subrecipients - U.S. Department of Agriculture passed through the Indiana State Department of Health: Food Distribution Cluster - CFDA Numbers 10.568 and 10.569

Criteria: The Organization receives food commodities under The Emergency Food Assistance Program (TEFAP) and provides support to needy individuals either through direct contact or by passing food commodities through to a partner agency (i.e. Subrecipient) serving as a food pantry or kitchen in the community. The Organization's Contract with the State of Indiana (Contract) requires it to monitor its partner agencies for compliance with the Indiana State Plan for TEFAP. The Contract requires the Organization to monitor each agency on an annual basis as long as the Organization provides food commodities to twenty or fewer agencies. Monitoring may be done bi-annually when the Organization has more than twenty agencies. The Organization received its twenty-first agency in November 2017 and was required to monitor agencies on a bi-annual basis from that date forward.

Condition: Two partner agencies were identified during testing of this compliance requirement that had not been monitored in accordance with the Contract. These agencies were last monitored in February and March of 2016, and they should have received monitoring in the same months of 2017 since the Organization was providing food commodities to twenty or fewer agencies during these months. As of May 14, 2018, monitoring visits had not been performed or scheduled for these two agencies.

Cause: The primary source for the missed monitoring visits is a control deficiency related to manually entering the due date of the next monitoring visit into Primarius incorrectly. As a result, these agencies were not included on the control monitoring spreadsheet from which monitoring visits are scheduled.

Effect: The Organization did not conduct the required site visits. Accordingly, the Organization did not properly monitor the two subrecipients during the year.

Recommendation: A process of review of the dates in Primarius should be performed to verify the date the next monitoring visit is within the requirements established by the State. This evaluation should be conducted by an individual who is not involved in the monitoring of TEFAP partner agencies and should occur on an annual basis - preferably at the start of each contract year. As Indiana TEFAP partner agencies are now subject to bi-annual monitoring, we would also recommend the Organization maintain a list of the agencies to be monitored each year of the two-year cycle. When compared to a list of site visits performed during a given year, any agencies that were overlooked should be easily identified.

Dare to Care, Inc.
Schedule of Prior Audit Findings and Their Resolution (Continued)
Year Ended June 30, 2018

Section II - Major Federal Award Program Audit (Continued)

2018-001 - Monitoring of Subrecipients - U.S. Department of Agriculture passed through the Indiana State Department of Health: Food Distribution Cluster - CFDA Numbers 10.568 and 10.569 (Continued)

Current Status: Subsequent to the above findings the partner agencies identified have been monitored and no deficiencies were found.

Dare to Care, Inc. accepted the recommended controls to ensure contractual compliance of USDA TEFAP contracts.

Effective July 1, 2018 the Inventory Excellence Manager; who allocates product to all TEFAP agencies and is very familiar with the TEFAP agencies, now compare dates listed in Primarius to a bi-annual monitoring list provided by the Partner Development Team. At the beginning of each fiscal year the Partner Development Team reviews and up-dates the bi-annual monitoring list and checks against the sites visited list. Monthly the Inventory Excellence Manager will check the monitoring list against the sites visited to ensure completeness and sufficiency of the agencies monitored.