

COMMUNITY FOOD SHARE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2014

(with summarized financial information for the year ended June 30, 2013)

COMMUNITY FOOD SHARE, INC.

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June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors:
Community Food Share, Inc.
Louisville, Colorado

We have audited the accompanying financial statements of Community Food Share, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Food Share, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MIDDLEMIST, CROUCH & CO., CPA's, P.C.

Middlemist Crouch & Company, CPA's PC
Boulder, Colorado
August 12, 2014

FINANCIAL STATEMENTS

COMMUNITY FOOD SHARE, INC.
Statement of Financial Position
JUNE 30, 2014

(with summarized financial information for the year ended June 30, 2013)

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,341,924	\$ 1,480,435
Certificates of deposit	1,297,374	-
Investments	194,923	-
Capital campaign receivables	149,000	356,834
Other receivable	195,142	56,163
Inventory	444,710	272,262
Total Current Assets	3,623,073	2,165,694
PROPERTY AND EQUIPMENT		
Land	725,194	294,843
Building	4,909,178	1,216,892
New building and equipment: not yet in service	-	5,134,605
Machinery and equipment	684,155	856,655
	6,318,527	7,502,995
Accumulated depreciation	(632,539)	(1,125,307)
Net Property and Equipment	5,685,988	6,377,688
OTHER ASSETS		
Deposits and prepaid expenses	0	1,344
Total Other Assets	0	1,344
TOTAL ASSETS	\$ 9,309,061	\$ 8,544,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 45,109	\$ 319,233
Accrued compensation & payroll taxes	96,631	80,271
Deferred revenue	7,000	37,000
Security deposit	12,500	12,500
Total Current Liabilities	161,240	449,004
NET ASSETS		
Unrestricted		
Undesignated	7,639,336	7,237,888
Board designated	1,359,485	500,000
Temporarily Restricted	149,000	357,834
Total Net Assets	9,147,821	8,095,722
TOTAL LIABILITIES AND NET ASSETS	\$ 9,309,061	\$ 8,544,726

See accompanying notes to financial statements

COMMUNITY FOOD SHARE, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014
(with summarized financial information for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
SUPPORT AND REVENUE					
Local government grants	\$ 121,013	\$ -	\$ -	\$ 121,013	\$ 119,150
Federal government grants	7,730	-	-	7,730	6,605
Contributions - United Way	12,807	-	-	12,807	12,195
Contributions - other	2,537,269	-	-	2,537,269	1,832,003
Donated equip, materials, and services	35,119	-	-	35,119	19,608
Donated food	14,694,662	-	-	14,694,662	12,955,973
Capital campaign	65,102	-	-	65,102	3,704,218
Agency memberships	12,000	-	-	12,000	12,500
Special events, net of direct costs of \$73,524 and \$67,229	432,792	-	-	432,792	296,886
Investment income	1,277	-	-	1,277	225
Rent income, net of expenses of \$38,686	105,704	-	-	105,704	116,349
Miscellaneous	848	-	-	848	3,831
Net assets released from restriction	208,834	(208,834)	-	-	-
Total support and revenue	<u>18,235,157</u>	<u>(208,834)</u>	<u>-</u>	<u>18,026,323</u>	<u>19,079,543</u>
EXPENSES					
Program services	16,669,203	-	-	16,669,203	14,463,444
General and administrative	362,332	-	-	362,332	329,980
Fundraising	469,852	-	-	469,852	435,158
Total expenses and losses	<u>17,501,387</u>	<u>-</u>	<u>-</u>	<u>17,501,387</u>	<u>15,228,582</u>
Change in net assets before gain on sale of building	733,770	(208,834)	-	524,936	3,850,961
Gain on sale of building and assets	<u>527,163</u>	<u>-</u>	<u>-</u>	<u>527,163</u>	<u>-</u>
CHANGE IN NET ASSETS	1,260,933	(208,834)	-	1,052,099	3,850,961
NET ASSETS--BEGINNING OF YEAR	<u>7,737,888</u>	<u>357,834</u>	<u>-</u>	<u>8,095,722</u>	<u>4,244,761</u>
NET ASSETS--END OF YEAR	<u>\$ 8,998,821</u>	<u>\$ 149,000</u>	<u>\$ -</u>	<u>\$ 9,147,821</u>	<u>\$ 8,095,722</u>

See accompanying notes to financial statements

COMMUNITY FOOD SHARE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

	Program Services	Management & General	Fund Raising	2014 Total	2013 Total
CASH OPERATING EXPENSES					
Food acquisition costs	\$ 796,730	\$ -	\$ -	\$ 796,730	\$ 482,225
Personnel expense	861,095	258,796	267,736	1,387,627	1,291,231
Occupancy & insurance	160,507	1,048	-	161,555	99,611
Transportation & vehicle expense	55,764	173	1,251	57,188	53,571
Warehouse equipment & supplies	12,136	-	-	12,136	6,443
Office expense	7,304	35,343	21,936	64,583	46,751
Fundraising activities	507	-	157,238	157,745	137,802
Administrative expenses	687	23,839	5,302	29,828	21,289
Other expenses	9,574	21,552	4,900	36,026	107,350
Total Cash Operating Expenses	<u>1,904,304</u>	<u>340,751</u>	<u>458,363</u>	<u>2,703,418</u>	<u>2,246,273</u>
Capital campaign expenses	23,010	-	-	23,010	9,733
Non-Cash expenses	14,741,889	21,581	11,489	14,774,959	12,972,576
TOTAL EXPENSES	<u><u>\$ 16,669,203</u></u>	<u><u>\$ 362,332</u></u>	<u><u>\$ 469,852</u></u>	<u><u>\$ 17,501,387</u></u>	<u><u>\$ 15,228,582</u></u>

See accompanying notes to financial statements

COMMUNITY FOOD SHARE, INC.
Statement of Cash Flows
For the Year Ended June 30, 2014
(with summarized financial information for the year ended June 30, 2013)

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Increase in Net Assets	\$ 1,052,099	\$ 3,850,961
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	216,284	89,108
In-kind fixed asset donations	(13,983)	(216,647)
Gain on sale of building and assets	(527,163)	-
Receivables	68,855	408,996
Inventory	(172,448)	(68,461)
Deposits and prepaid expenses	1,344	123,728
Accounts payable and accrued liabilities	(287,764)	283,184
NET CASH PROVIDED BY OPERATING ACTIVITIES	337,224	4,470,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(573,784)	(5,052,011)
Purchase of certificates of deposit	(1,297,374)	-
Purchase of Investments	(194,923)	146,741
Proceeds from sale of building	1,590,346	-
Proceeds from Sale of Donated Stock	-	39,671
NET CASH (USED IN) INVESTING ACTIVITIES	(475,735)	(4,865,599)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(138,511)	(394,730)
CASH AND CASH EQUIVALENTS:		
Beginning of Year	1,480,435	1,875,165
End of Year	\$ 1,341,924	\$ 1,480,435
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING ACTIVITIES		
Donated Food Received	\$ 14,694,662	\$ 12,955,973
Donated Food Distributed	\$ 14,522,213	\$ 12,881,530
Interest Paid	\$ -	\$ 62,879

See accompanying notes to financial statements

COMMUNITY FOOD SHARE, INC.
Notes to Financial Statements
June 30, 2014
(with summarized financial information for the year ended June 30, 2013)

NOTE 1 - ORGANIZATION PURPOSE

Community Food Share, Inc. (CFS or the Organization), a Colorado nonprofit corporation, exists so that people in Boulder and Broomfield Counties are food secure. The Organization solicits food from grocers, manufacturers, restaurants, and farms and obtains donated food from a national network clearing house. CFS also purchases food wholesale to ensure a consistent supply of staple food items. Food is distributed to nonprofit human services agencies in Boulder and Broomfield Counties, which in turn distribute the food to individuals in need, primarily through food pantries and served meals.

CFS also operates direct service initiatives to address the unmet need that serves seniors, low-income families, and school children. CFS relies heavily upon direct public support, including private contributions, and municipal grants to support its programs.

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Presentation

CFS reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2014, CFS had no permanently restricted net assets.

Cash and Cash Equivalents

CFS considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit and Investments

Certificates of deposit and investments are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurements

The Organization follows the provisions of ASC 820-10. Under ASC 820-10, fair value is defined as "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">

ASC 820-10 established a fair value hierarchy which categorizes inputs into three levels as follows:

- | | |
|---------|--|
| Level 1 | Values are unadjusted quoted prices for identical assets or liabilities in Active markets accessible at the measurement date. |
| Level 2 | Inputs include quoted prices for similar assets or liabilities in active markets, Quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument |
| Level 3 | Certain inputs are unobservable (supported by little or no market activity) And significant to the fair value measurement. Unobservable inputs reflect the Organizations best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. |

COMMUNITY FOOD SHARE, INC.

Notes to Financial Statements

June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Contributions

Contributions, including unconditional promises to give, are recognized in the period the promise to give is made. Restricted contributions whose restrictions are accomplished in the same fiscal year are reported as unrestricted contributions.

Allowance for Uncollectibles

Since all accounts receivable and pledges receivable are considered fully collectible, no provision for doubtful accounts has been included in the accompanying financial statements.

Inventory

Inventory is comprised of donated and purchased food in stock. Donated food is valued at the average wholesale price per gross pound published by Feeding America, a national food bank distribution network, in its most recent *Product Value Survey Methodology*. The average wholesale price per gross pound was \$1.72 in 2014. Purchased food is valued at cost.

Property and Equipment

Property and equipment are reported at cost if purchased, or at estimated fair market value if donated. Depreciation is recorded using straight line method over estimated useful lives ranging from three to ten years for machinery and equipment, forty years for the building, and three to forty years for building components. Capital expenditures greater than \$500 are capitalized and depreciated over their useful lives.

Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Special purpose donations are accounted for as an increase in temporarily restricted net assets and are to be used only for the purpose, or the time frame, specifically designated by the donor. When a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Donated Services

The Organization recognizes the value of donated services that create non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The accompanying financial statements do not, however, reflect the value of the significant number of volunteer hours donated.

Donated Food, Goods, and Materials

Donated food, goods, and materials that relate to administration and distribution processes are reported at their estimated fair market values at the time of receipt in accordance with FASB ASC 958-605-50-1.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code, and has been classified as other than a private foundation. Thus, no provision for income taxes has been made in the accompanying financial statements.

CFS files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

COMMUNITY FOOD SHARE, INC.

Notes to Financial Statements

June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions which affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - INVESTMENTS

Investments consist of federal government securities. Investment income recorded in the statement of activities is as follows:

Interest	\$ 4,485
Unrealized gain	<u>(3,208)</u>
	<u>\$ 1,277</u>

NOTE 4 - RECEIVABLES

Receivables consist of the following:

Less Than One Year	\$	275,142
One to Five Year		<u>69,000</u>
Total Pledges Receivable	\$	<u>344,142</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 includes the following:

Capital Campaign receivables	\$	<u>149,000</u>
Total Temporarily Restricted Net Assets	\$	<u>149,000</u>

NOTE 6 - EMPLOYEE BENEFIT PLANS

Simplified Employee Pension Plans

CFS makes discretionary contributions on behalf of eligible employees to a qualified Simplified Employee Pension (SEP) plan. All employees age 21 or over earning a minimum of \$550 and employed by CFS for three consecutive years must participate as a condition of employment. CFS made contributions to the SEP plan totaling \$74,008 for the year ended June 30, 2014.

Tax-Deferred Annuity Plan

CFS also sponsors a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. Eligible employees may make contributions to the plan up to a maximum amount allowed under the Internal Revenue Code. CFS Made no contributions to this plan for the year ended June 30, 2014.

COMMUNITY FOOD SHARE, INC.

Notes to Financial Statements

June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

NOTE 7 - BOARD DESIGNATED NET ASSETS

In order to be proactive in maintaining operations during seasonal cash flow fluctuations and unforeseen declines in revenues, Board policy mandates the designation of \$812,837 as an Operating Reserve.

The Board has also designated \$546,648 as a separate reserve to cover the anticipated costs for two years' equipment acquisitions and building improvements as these costs are not included in the annual operating budget.

CFS budgets modest annual surpluses from operations in order to maintain these reserves and enhance financial stability.

NOTE 8 - LEASES

The Organization's new facility at 650 S. Taylor has a tenant occupying a portion of the building. Depending on the needs of CFS at the expiration of this lease agreement, CFS may or may not continue to lease this space. The assigned lease is dated August 22, 2012 and expires on August 22, 2015. Monthly lease income is \$7,892 plus CAM expenses. Total lease income for the year ended June 30, 2014 was \$144,390.

NOTE 9 - CONCENTRATIONS

Financial instruments, which potentially subject CFS to concentrations of credit risk, consist of cash deposits and certificates of deposit. CFS's uninsured deposits as of June 30, 2014 were \$0. Management does not believe deposits in excess of insured balances to be of concern at this time.

CFS is dependent on third-party contributors for the vast majority of the food it distributes. For the year ended June 30, 2014, donations received from the Organization's three largest contributors accounted for approximately 29% of the food it received. A loss of certain principal donors would limit the availability of food for distribution and could have a material adverse effect on the operations of CFS.

NOTE 10 - RELATED PARTY

CFS purchases grounds maintenance and landscaping services from a company which a board member is the President. The services are provided at a discount. Total purchases for the year ended June 30, 2014, were \$51,810.

NOTE 11 - COMMITMENTS

The Organization leases a postage meter and a delivery truck under operating leases. Future minimum rental payments under the terms of the leases are as follows:

<u>June 30,</u>	
2015	\$ 21,004
2016	21,004
2017	21,004
2018	21,004
Thereafter	53,945

Rental expense for the year ended June 30, 2014 was \$5,675

COMMUNITY FOOD SHARE, INC.
Notes to Financial Statements
June 30, 2014

(with summarized financial information for the year ended June 30, 2013)

NOTE 12 - DONATED MATERIALS AND SERVICES

The value of donated materials and services included in contributions and the corresponding expenditures are:

Contributions	<u>\$ 35,119</u>
Expenditures	
Property and equipment	\$ 13,983
Goods and supplies	2,341
Professional services	<u>18,795</u>
Total	<u>\$ 35,119</u>

NOTE 13 - GAIN ON SALE OF BUILDING AND ASSETS

On August 15, 2013, CFS sold its old facility at 6363 Horizon Lane, Longmont, Colorado. The sales price was \$1,675,000, netting a gain on the sale after expenses of \$526,263. Additionally, \$900 of pallet racking was sold for a gain of \$900. Total gain on sale of building and assets is \$527,163.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2014, which is the date which the financial statements were available to be issued.