

CARE FOR REAL
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

CARE FOR REAL

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Certified Public Accountants
1310 Pembroke Circle
Roselle, IL 60172

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Care For Real

We have audited the accompanying financial statements of Care For Real (a nonprofit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses 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. 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 principles 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 Care For Real as of March 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Michael Golojuch, Jr. C.P.A.

Michael Golojuch, Jr. and Associates, Ltd.
Roselle, Illinois

June 10, 2016

CARE FOR REAL

**STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash - checking	\$ 5,674	\$ 2,484
Investments (Note 2)	336,665	314,610
Other receivables	600	3,957
Inventory	47,639	77,137
Prepaid expense	<u>9,576</u>	<u>-</u>
Total current assets	<u>400,154</u>	<u>398,187</u>
Property and Equipment:		
Leasehold improvements	37,777	37,777
Furniture, fixtures and equipment	69,497	68,143
Vehicles	<u>10,221</u>	<u>7,500</u>
	117,495	113,420
Less: accumulated depreciation	<u>74,277</u>	<u>53,142</u>
	<u>43,218</u>	<u>60,277</u>
Other Assets:		
Deposits	<u>1,215</u>	<u>-</u>
Total assets	<u><u>\$ 444,587</u></u>	<u><u>\$ 458,464</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 442	\$ 2,682
Accrued vacation	<u>6,036</u>	<u>8,750</u>
Total current liabilities	<u>6,478</u>	<u>11,432</u>
Net assets:		
Unrestricted	375,109	447,032
Temporarily restricted	63,000	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>438,109</u>	<u>447,032</u>
Total liabilities and net assets	<u><u>\$ 444,587</u></u>	<u><u>\$ 458,464</u></u>

The accompanying notes are an integral part of the financial statements.

CARE FOR REAL

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Public support and revenue received:		
Public support - individuals	\$ 193,769	\$ 236,862
- corporate	48,168	32,429
- foundations	50,589	81,778
- religious and community	44,621	55,567
- grants	29,120	17,588
In-kind revenue	4,264,886	3,804,392
Investment/other income	<u>48</u>	<u>38</u>
Increases in Unrestricted Net Assets	<u>4,631,201</u>	<u>4,228,653</u>
Expenses:		
Program services	4,561,411	4,057,633
Support services	<u>141,713</u>	<u>127,192</u>
Decreases in Unrestricted Net Assets	<u>4,703,124</u>	<u>4,184,825</u>
TEMPORARILY RESTRICTED NET ASSETS		
Public support - grant	<u>63,000</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>63,000</u>	<u>-</u>
Changes in net assets	(8,923)	43,828
Net assets - beginning of year	<u>447,032</u>	<u>403,204</u>
Net assets - end of year	<u>\$ 438,109</u>	<u>\$ 447,032</u>

The accompanying notes are an integral part of the financial statements.

CARE FOR REAL

**STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (8,923)	\$ 43,828
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	23,118	18,110
Loss on disposal of vehicle	1,342	1,112
Changes in non-cash components of working capital:		
Other receivables	3,357	(3,922)
Prepaid expense	(9,576)	7,331
Inventory	29,498	2,693
Deposits	(1,215)	-
Accounts payable	(2,240)	1,647
Payroll liabilities	-	(4,537)
Accrued vacation	(2,714)	2,186
	<u>32,647</u>	<u>68,448</u>
Net cash provided by (used for) operating activities		
Cash Flows From Investing Activities:		
Proceeds from sale of vehicle	175	-
Purchase of property and equipment	(7,577)	(38,856)
	<u>(7,402)</u>	<u>(38,856)</u>
Net cash provided by (used for) investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	25,245	29,592
Cash and Cash Equivalents - Beginning of Year	<u>317,094</u>	<u>287,502</u>
Cash and Cash Equivalents - End of Year	<u>\$ 342,339</u>	<u>\$ 317,094</u>
Supplemental Disclosures:		
Noncash investing and financing transactions:		
Donated property and equipment	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CARE FOR REAL

STATEMENTS OF FUNCTIONAL EXPENSES -
YEAR ENDED MARCH 31, 2016

	PROGRAM SERVICES				Total Program Services	SUPPORTING SERVICES			Total Program and Supporting Services 2016
	Food	Closet	Pet	ERC		General and Administrative	Fund Raising	Total Supporting Services	
Expenses:									
Personnel Services:									
Salaries and related expenses	\$ 135,962	\$ 19,344	\$ 2,674	\$ 17,188	\$ 175,168	\$ 25,237	\$ 68,078	\$ 93,315	\$ 268,483
Contract services	-	-	-	-	-	23,484	279	23,763	23,763
Payroll fees	-	-	-	-	-	818	-	818	818
Food costs:									
G.C.F.D.	18,965	-	-	-	18,965	-	-	-	18,965
Supplemental	1,184	-	-	-	1,184	-	-	-	1,184
In-kind	3,290,650	957,022	24,775	-	4,272,447	-	-	-	4,272,447
Delivery and pick-up	-	-	-	-	-	-	-	-	-
Business expense	120	-	-	-	120	25	-	25	145
Insurance	520	280	30	80	910	1,040	-	1,040	1,950
Postage, shipping, delivery	-	-	-	-	-	504	1,105	1,609	1,609
Professional fees	-	-	-	-	-	2,725	-	2,725	2,725
Printing, copying and electronic outreach	-	490	-	-	490	-	3,840	3,840	4,330
Telephone and internet	1,428	769	82	220	2,499	245	-	245	2,744
Office supplies	3	-	-	-	3	788	456	1,244	1,247
Janitorial supplies	422	-	-	-	422	168	-	168	590
Program supplies	1,900	80	5,680	-	7,660	49	-	49	7,708
Rent	18,720	10,080	1,080	2,880	32,760	3,240	-	3,240	36,000
Repairs and maintenance	4,971	12	1	3	4,987	2,092	-	2,092	7,080
Utilities	6,327	2,685	340	810	10,162	767	-	767	10,930
Vehicle expense	9,640	1,685	-	-	11,325	-	-	-	11,325
Voluntary/staff development	77	127	-	-	204	1,423	-	1,423	1,627
Non-capitalized facility expense	100	-	-	-	100	-	-	-	100
Bank fees and credit card processing	-	-	-	-	-	85	2,169	2,254	2,254
Depreciation	16,230	2,450	211	1,772	20,662	2,154	302	2,456	23,118
Loss on disposal of assets	1,342	-	-	-	1,342	-	-	-	1,342
Other	-	-	-	-	-	325	317	642	642
Total Expenses	\$ 3,508,561	\$ 995,024	\$ 34,873	\$ 22,954	\$ 4,561,411	\$ 65,168	\$ 76,544	\$ 141,713	\$ 4,703,124
	74.60%	21.16%	0.74%	0.49%	96.99%	1.39%	1.63%	3.01%	100.00%

The accompanying notes are an integral part of the financial statements.

CARE FOR REAL

STATEMENTS OF FUNCTIONAL EXPENSES -
YEAR ENDED MARCH 31, 2015

	PROGRAM SERVICES				SUPPORTING SERVICES				Total Program and Supporting Services 2015
	Food	Closet	Pet	ERC	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Expenses:									
Personnel Services:									
Salaries and related expenses	\$ 130,884	\$ 18,041	\$ 3,253	\$ 10,582	\$ 162,760	\$ 35,216	\$ 41,124	\$ 76,341	\$ 239,100
Contract services	-	-	-	-	-	23,283	-	23,283	23,283
Payroll fees	-	-	-	-	-	730	-	730	730
Food costs:									
G.C.F.D.	17,332	-	-	-	17,332	-	226	226	17,558
Supplemental	685	-	-	-	685	-	-	-	685
In-kind	2,835,863	917,092	32,833	-	3,785,788	-	-	-	3,785,788
Delivery and pick-up	2,515	-	-	-	2,515	-	-	-	2,515
Business expense	-	-	-	-	-	25	-	25	25
Insurance	289	155	17	44	505	1,000	-	1,000	1,505
Postage, shipping, delivery	-	-	-	-	-	249	1,725	1,974	1,974
Professional fees	348	-	-	-	348	1,775	-	1,775	2,123
Printing, copying and electronic outreach	-	-	-	-	-	75	7,349	7,424	7,424
Telephone and internet	1,572	847	91	242	2,751	272	-	272	3,023
Office supplies	190	-	-	-	190	393	4,345	4,738	4,927
Janitorial supplies	761	47	5	14	826	245	-	245	1,071
Program supplies	2,238	153	5,968	-	8,359	-	-	-	8,359
Rent	18,720	10,080	1,080	2,880	32,760	3,240	-	3,240	36,000
Repairs and maintenance	3,999	29	3	7	4,038	183	-	183	4,221
Utilities	7,499	2,707	403	817	11,426	774	-	774	12,200
Vehicle expense	8,176	1,596	-	-	9,773	18	-	18	9,790
Voluntary/staff development	159	106	-	50	315	332	-	332	647
Non-capitalized facility expense	-	-	-	-	-	169	-	169	169
Bank fees and credit card processing	-	-	-	-	-	14	1,491	1,505	1,505
Depreciation	12,071	2,253	211	1,574	16,109	1,749	252	2,002	18,110
Loss on disposal of assets	1,112	-	-	-	1,112	-	-	-	1,112
Other	42	-	-	-	42	893	47	939	981
Total Expenses	\$ 3,044,454	\$ 953,108	\$ 43,862	\$ 16,209	\$ 4,057,633	\$ 70,633	\$ 56,559	\$ 127,192	\$ 4,184,825
	72.75%	22.78%	1.05%	0.39%	96.96%	1.69%	1.35%	3.04%	100.00%

The accompanying notes are an integral part of the financial statements.

CARE FOR REAL

Notes to Financial Statements March 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Care For Real (the Organization) is an Illinois not-for-profit corporation which was established to provide food, clothing, pet supplies, referral services and other assistance to families and individuals in the Edgewater Community of Chicago. The sources of revenue for the Organization's services are public support including individual contributions, corporate, foundations and religious organizations, grant income and in-kind revenue (food and clothing donations).

Basis of Accounting

The financial statements of Care For Real have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Contributions received and unconditional promises of support are measured at their fair values and are reported as increases in net assets. Pledges receivable are also included as conditional promises of support where the condition has been met. Expenses are recorded when incurred.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Temporarily restricted net assets represent net assets subject to donor imposed restrictions which will either be met by the organization's actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired. These reclassifications are reported in the statement of activities as net assets released from restrictions. Care For Real had \$63,000 of temporarily restricted net assets as of March 31, 2016 and \$0 as of March 31, 2015, respectively.

Permanently restricted net assets represent funds subject to the restrictions of gift instruments requiring the principal to be maintained intact. Investment income may be used for operations and therefore is recorded as unrestricted revenue. Care For Real does not have permanently restricted net assets as of March 31, 2016 and 2015.

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Notes to Financial Statements March 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are held in checking and savings accounts. The Organization does not consider its investment in a money market fund to be a cash equivalent for statement of cash flow purposes. Accounts are maintained at a local bank where deposits are insured up to \$250,000 by the FDIC.

Donated Goods and Services

A number of local businesses and individuals have donated food and clothing to provide program services to needy families and individuals in the community. The fair value of these donated goods (food and clothing) and services (professional fees) has been recognized in the accompanying statement of activities. The fair value of donated goods used by the Organization has been capitalized and depreciated over their estimated useful lives. The estimated values of in-kind gifts recognized as revenue for the years ended March 31, 2016 was \$4,264,886 and March 31, 2015 was \$3,804,392, respectively.

No amounts have been reflected in the financial statements for donated services except services requiring specific expertise as noted above. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received more than 34,300 and 50,200 volunteer hours at an estimated fair value of \$810,000 and \$1,160,000 during the years ended March 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, funds raising activities and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reported period. Actual results could differ from these estimates.

CARE FOR REAL

Notes to Financial Statements March 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Care For Real is a not-for-profit organizations that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

The Organization's federal Exempt Organization Business Tax Return (Form 990) is subject to examination by the Internal Revenue Service, generally for three years after the date it was filed.

Uncollectible Accounts

Care For Real considers its receivables to be fully collectible; accordingly, no allowance for uncollectible accounts is required. The policy for determining when receivables are past due or delinquent are based on how recently payments have been received.

Inventories

Inventories consist of clothing, food and other grocery products and are stated at cost, except for donated food, which is stated at the average wholesale value. No provision for estimated spoilage of inventory has been made, since management believes all inventory will be distributed prior to any spoilage.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or if donated, at fair market value at the date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Depreciation for the years ended March 31, 2016 was \$23,118 and March 31, 2015 was \$18,110, respectively. There was no donated equipment capitalized during March 31, 2016 and March 31, 2015, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income, including net realized and unrealized gains (losses), is reflected in the statement of activities as an increase (decrease) in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Interest and dividend income is recorded on the accrual basis.

CARE FOR REAL

Notes to Financial Statements
March 31, 2016 and 2015

Subsequent Events

Management has evaluated subsequent events through June 9, 2016 the date which the financial statements were available to be issued, and June 9, 2016 with respect to the comparative 2016 financial statements.

NOTE 2 – INVESTMENTS

Investments at March 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 336,665	\$314,610
Securities	<u>0</u>	<u>0</u>
Total	<u>\$ 336,665</u>	<u>\$314,610</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value of assets on a recurring basis at March 31, 2016 and 2015 are as follows:

	<u>2016</u> <u>Fair Value</u>	<u>2015</u> <u>Fair Value</u>	2016 Quoted Prices In Active Markets for Identical Assets (Level 1)	2015 Quoted Prices In Active Markets for Identical Asset (Level 1)
Money market funds	\$336,665	\$314,610	\$336,665	\$314,610
Securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$336,665</u>	<u>\$314,610</u>	<u>\$336,665</u>	<u>\$314,610</u>

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Notes to Financial Statements March 31, 2016 and 2015

NOTE 4 – OPERATING LEASE

The Organization leases office space with a monthly payment of \$3,475 from an unrelated party under a non-cancellable operating lease for five years commencing May 2011 through May 2016. The lease has been extended for an additional five years through May 2021. However, the lessor has continued to charge monthly rent of \$3,000 through March 31, 2016. Rent expense for the years ended March 31, 2016 and 2015 was \$36,000 and \$36,000, respectively.

Future minimum lease payments are as follows:

2017	\$41,700
2018	43,229
2019	44,958
2020	46,756
2021	<u>48,627</u>
Total	<u>\$225,270</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2016 and 2015, the Organization's uninsured cash balances total \$92,295 and \$67,074, respectively.

NOTE 6 – CONCENTRATION OF BUSINESS WITH MAJOR DONORS

During the years ended March 31, 2016 and 2015, approximately 40% of in-kind food donations came from two major donors and 45% of in-kind food donations have been received from two major donors, respectively.

NOTE 7 – RELATED PARTIES

Care For Real has a conflict-of-interest policy whereby Board members must advise the Board of Directors of any direct or indirect material interest in any transaction or relationship with Care For Real and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

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Notes to Financial Statements
March 31, 2016 and 2015

NOTE 8 – SELF-INSURANCE UNEMPLOYMENT RESERVES

Care For Real was self-insured for a significant portion of their Illinois unemployment tax claims effective January 1, 2016. The Organization does maintain stop-loss coverage with a third party insurer to limit their individual claims and total exposure. Deposits of \$1,215 have been retained by a third party in an unemployment savings program as of March 31, 2016. There were no outstanding unemployment claims at March 31, 2016.