

CARE FOR REAL

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

CARE FOR REAL

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MICHAEL GOLOJUCH, JR. & ASSOCIATES, LIMITED
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, 2019 and 2018, 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, 2019 and 2018, 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

July 1, 2019

CARE FOR REAL

**STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash - checking	\$ 6,451	\$ 16,659
Investments	693,969	718,864
Other receivables	1,025	1,300
Inventory	36,014	33,334
Prepaid expense	-	900
	<hr/>	<hr/>
Total current assets	<u>737,459</u>	<u>771,057</u>
Property and Equipment:		
Leasehold improvements	39,311	39,311
Furniture, fixtures and equipment	72,915	70,140
Vehicles	68,208	68,208
Construction in progress	14,625	-
	<hr/>	<hr/>
	195,058	177,658
Less: accumulated depreciation	137,970	115,323
	<hr/>	<hr/>
	57,088	62,334
Other Assets:		
Deposits	9,031	4,267
	<hr/>	<hr/>
Total assets	<u>\$ 803,578</u>	<u>\$ 837,658</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 10,726	\$ 5,851
Accrued vacation	10,275	6,515
	<hr/>	<hr/>
Total current liabilities	<u>21,001</u>	<u>12,367</u>
Net assets:		
Without donor restrictions	646,196	729,871
With donor restrictions - purpose restrictions	136,381	95,421
	<hr/>	<hr/>
Total net assets	<u>782,577</u>	<u>825,291</u>
Total liabilities and net assets	<u>\$ 803,578</u>	<u>\$ 837,658</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support and revenue received:		
Public support - individuals	\$ 281,414	\$ 265,172
- corporate	32,302	27,666
- foundations	23,157	28,059
- religious and community	39,024	41,294
- grants	40,293	35,716
- bequests	8,011	114,436
In-kind revenue	6,289,703	5,943,254
Investment income	<u>327</u>	<u>583</u>
Increases in Net Assets Without Donor Restrictions	<u>6,714,231</u>	<u>6,456,181</u>
Expenses:		
Program services	6,592,917	6,238,256
Support services	<u>218,007</u>	<u>238,827</u>
Decreases in Net Assets Without Donor Restrictions	<u>6,810,924</u>	<u>6,477,083</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Public support - grant	<u>65,212</u>	<u>104,000</u>
Increase/(Decrease) in Net Assets With Donor Restrictions	<u>65,212</u>	<u>104,000</u>
Changes in net assets	(31,481)	83,098
Net assets - beginning of year	825,291	742,193
Prior period adjustment	<u>(11,233)</u>	<u>-</u>
Net assets - end of year	<u>\$ 782,577</u>	<u>\$ 825,291</u>

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

CARE FOR REAL

**STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (31,481)	\$ 83,098
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	22,647	24,272
Prior period adjustment	(11,233)	-
Changes in non-cash components of working capital:		
Other receivables	274	(587)
Prepaid expense	900	6,895
Inventory	(2,680)	(890)
Deposits	(4,765)	1,313
Accounts payable	4,875	(19,058)
Accrued vacation	3,760	(2,483)
	<u>(17,703)</u>	<u>92,560</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(17,400)</u>	<u>(2,384)</u>
	<u>(17,400)</u>	<u>(2,384)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,103)	90,176
Cash and Cash Equivalents - Beginning of Year	<u>735,523</u>	<u>645,347</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 700,420</u></u>	<u><u>\$ 735,523</u></u>

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

CARE FOR REAL

STATEMENTS OF FUNCTIONAL EXPENSES -
YEAR ENDED MARCH 31, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES			Total Program and Supporting Services 2019	
	Food	Closet	Pet	ERC	Total Program Services	General and Administrative	Fund Raising		Total Supporting Services
Expenses:									
Personnel Services:									
Salaries and related expenses	\$ 163,126	\$ 28,681	\$ 6,395	\$ 25,706	\$ 223,909	\$ 38,682	\$ 90,922	\$ 129,604	\$ 353,513
Contract services	-	-	-	-	-	4,039	948	4,987	4,987
Payroll fees	-	-	-	-	-	1,087	12	1,098	1,098
Food costs:									
G.C.F.D.	20,001	-	-	-	20,001	-	-	-	20,001
Supplemental	1,262	-	-	-	1,262	-	-	-	1,262
In-kind	4,077,566	2,121,557	54,350	-	6,253,473	-	-	-	6,253,473
Advertising	-	-	-	-	-	-	231	231	231
Business expense	-	-	-	-	-	28	-	28	28
Insurance	659	355	38	114	1,167	900	101	1,001	2,168
Postage, shipping, delivery	-	-	-	-	-	266	1,860	2,126	2,126
Professional fees	-	-	-	-	-	2,925	33,750	36,675	36,675
Printing, copying and electronic outreach	-	-	70	-	70	49	12,069	12,118	12,188
Telephone and internet	2,289	1,232	132	359	4,012	390	-	390	4,402
Office supplies	-	-	-	-	-	971	-	971	971
Janitorial supplies	68	17	-	-	85	-	-	-	85
Program supplies	2,021	-	5,912	-	7,933	-	11,463	11,463	19,396
Rent	18,720	10,080	1,080	2,880	32,760	3,311	-	3,311	36,071
Repairs and maintenance	2,158	-	-	-	2,158	1,810	1,155	2,965	5,123
Utilities	6,329	2,312	340	697	9,679	661	-	661	10,340
Vehicle expense	9,752	2,274	-	-	12,027	-	-	-	12,027
Voluntary/staff development	299	326	-	-	625	2,426	620	3,046	3,671
Non-capitalized facility expense	-	-	-	550	550	137	-	137	687
Bank fees and credit card processing	-	112	-	-	112	150	3,307	3,457	3,569
Depreciation	21,357	567	18	54	21,995	652	-	652	22,647
Travel & meetings	18	-	-	-	18	-	599	599	617
Other	-	1,032	50	-	1,082	565	1,923	2,488	3,570
Total Expenses	\$ 4,325,627	\$ 2,168,545	\$ 68,385	\$ 30,360	\$ 6,592,917	\$ 59,047	\$ 158,960	\$ 218,007	\$ 6,810,924
	63.51%	31.84%	1.00%	0.45%	96.80%	0.87%	2.33%	3.20%	100.00%

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

CARE FOR REAL

STATEMENTS OF FUNCTIONAL EXPENSES -
YEAR ENDED MARCH 31, 2018

	PROGRAM SERVICES				Total Program Services	SUPPORTING SERVICES			Total Program and Supporting Services 2018
	Food	Closet	Pet	ERC		General and Administrative	Fund Raising	Total Supporting Services	
Expenses:									
Personnel Services:									
Salaries and related expenses	\$ 148,957	\$ 25,193	\$ 5,870	\$ 25,405	\$ 205,425	\$ 59,057	\$ 79,683	\$ 138,741	\$ 344,166
Contract services	-	-	-	-	-	33,716	-	33,716	33,716
Payroll fees	-	-	-	-	-	1,026	-	1,026	1,026
Food costs:									
G.C.F.D.	19,062	-	-	-	19,062	-	-	-	19,062
Supplemental	545	-	-	-	545	-	-	-	545
In-kind	3,987,089	1,836,841	80,119	-	5,904,049	8,263	1,253	9,516	5,913,565
Advertising	-	-	-	-	-	-	3,879	3,879	3,879
Business expense	-	-	-	-	-	25	-	25	25
Insurance	521	282	22	87	912	998	260	1,258	2,170
Postage, shipping, delivery	-	-	-	-	-	1,610	6,440	8,050	8,050
Professional fees	-	-	-	-	-	2,850	-	2,850	2,850
Printing, copying and electronic outreach	344	-	-	-	344	1,373	5,148	6,520	6,864
Telephone and internet	1,705	918	98	262	2,983	295	-	295	3,278
Office supplies	42	-	-	-	42	684	4,088	4,772	4,814
Janitorial supplies	42	-	-	-	42	-	-	-	42
Program supplies	1,113	297	5,452	-	6,862	75	15,864	15,939	22,801
Rent	18,720	10,080	1,080	2,880	32,760	3,240	-	3,240	36,000
Repairs and maintenance	3,399	-	-	-	3,399	850	-	850	4,249
Utilities	6,535	2,412	316	695	9,958	582	-	582	10,540
Vehicle expense	14,733	2,600	-	-	17,333	-	-	-	17,333
Voluntary/staff development	2,268	-	-	-	2,268	160	-	160	2,427
Non-capitalized facility expense	-	-	-	-	-	81	-	81	81
Bank fees and credit card processing	-	-	-	-	-	110	2,510	2,620	2,620
Depreciation	19,063	2,604	137	710	22,514	1,658	100	1,758	24,272
Travel & meetings	-	-	-	-	-	57	752	809	809
Other	7,139	1,190	596	833	9,757	1,785	357	2,142	11,899
Total Expenses	\$ 4,231,277	\$ 1,882,416	\$ 93,691	\$ 30,872	\$ 6,238,256	\$ 118,493	\$ 120,335	\$ 238,827	\$ 6,477,083
	65.33%	29.06%	1.45%	0.48%	96.31%	1.83%	1.86%	3.69%	100.00%

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

CARE FOR REAL

Notes to Financial Statements March 31, 2019 and 2018

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Care For Real has net assets with donor restrictions of \$ 65,212 and \$ 104,000 as of March 31, 2019 and 2018, respectively.

Change in Accounting Principle – Financial Statement Presentation

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources. Care For Real has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

CARE FOR REAL

Notes to Financial Statements March 31, 2019 and 2018

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, 2019 was \$6,255,953 and March 31, 2018 was \$5,943,254, 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 53,100 and 53,000 volunteer hours at an estimated fair value of \$1,350,000 and \$1,310,000 during the years ended March 31, 2019 and 2018, 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. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, funds raising activities and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated include printing, copying and electronic outreach, program supplies, telephone and internet, which are allocated on the basis of estimates of time and effort. Rent, utilities and depreciation are allocated on the basis of square footage of program and supporting services.

CARE FOR REAL

Notes to Financial Statements March 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2019 was \$22,647 and March 31, 2018 was \$24,272, respectively. There was no donated equipment capitalized during March 31, 2019 and March 31, 2018, respectively.

CARE FOR REAL

Notes to Financial Statements
March 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restricts their use. Interest and dividend income is recorded on the accrual basis.

Subsequent Events

Management has evaluated subsequent events through June 25, 2019 the date which the financial statements were available to be issued, and June 25, 2019 with respect to the comparative 2019 financial statements.

NOTE 2 – INVESTMENTS

Investments at March 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 693,969	\$718,864
Securities	<u>0</u>	<u>0</u>
Total	<u>\$ 693,969</u>	<u>\$718,864</u>

NOTE 3 – INVENTORY

Inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Food	\$ 32,782	\$ 28,255
Clothing	<u>3,232</u>	<u>5,079</u>
Total	<u>\$ 36,014</u>	<u>\$ 33,334</u>

CARE FOR REAL

Notes to Financial Statements
March 31, 2019 and 2018

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair value of assets on a recurring basis at March 31, 2019 and 2018 are as follows:

	2018	2017	2019	2018
	<u>Fair Value</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Identical Asset (Level 1)
Money market funds	\$693,969	\$718,864	\$693,969	\$718,864
Securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$693,969</u>	<u>\$718,864</u>	<u>\$693,969</u>	<u>\$718,864</u>

NOTE 5 – RESTRICTED FUNDS

During the years ended March 31, 2019 and 2018, \$136,381 and \$95,420 of investments in money market funds were restricted by the Board of Directors.

NOTE 6 – 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, 2019 and 2018. Rent expense for the years ended March 31, 2019 and 2018 was \$36,071 and \$36,000, respectively.

Future minimum lease payments are as follows:

2020	\$ 46,756
2021	<u>48,627</u>
Total	<u>\$ 95,383</u>

CARE FOR REAL

Notes to Financial Statements March 31, 2019 and 2018

NOTE 7 – 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, 2019 and 2018, the Organization's uninsured cash balances total \$450,420 and \$479,948, respectively.

NOTE 8 – CONCENTRATION OF BUSINESS WITH MAJOR DONORS

During the years ended March 31, 2019 and 2018, approximately 40% of in-kind food donations came from two major donors and 40% of in-kind food donations have been received from two major donors, respectively.

NOTE 9 – 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.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF ASSETS

As part of Care For Real's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 564,039
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NOTE 11 – COMMITMENT

Care For Real entered into an agreement dated March 19, 2019 for construction services related to the renovation of their facility. Costs to complete the project shall not exceed \$113,754. The Organization has incurred construction in progress costs of \$14,625 as of March 31, 2019. The renovation is expected to be completed subsequent to March 31, 2019.

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Notes to Financial Statements March 31, 2019 and 2018

NOTE 12 – LINE OF CREDIT

Care For Real has secured a line of credit of \$175,000 with a bank. The Organization did not borrow from the line of credit in 2019.

NOTE 13 – 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 \$9,030 and \$4,267 have been retained by a third party in an unemployment savings program as of March 31, 2019 and 2018, respectively. Claims paid to claimants during the years ended March 31, 2019 and 2018 were \$880 and \$5,880, respectively. There were no outstanding unemployment claims at March 31, 2019 and 2018.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of previously reported grant funds were discovered during the current year. Accordingly, an adjustment of \$11,233 was made during 2019 to write down restricted grant funds as of the beginning of the year. The effect of the restatement on net earnings of 2018 is not determinable.