

IRVING CARES, INC.

Financial Statements
with
Independent Auditor's Report

Years Ended March 31, 2017 and 2016



IRVING CARES, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Irving Cares, Inc.
Irving, Texas

We have audited the accompanying financial statements of Irving Cares, Inc. (the Organization), a voluntary health and welfare organization, which comprise the statement of financial position at March 31, 2017, and the related statements of activities, cash flows, and functional expenses 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 audit. We conducted our audit 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 Irving Cares, Inc. as of March 31, 2017, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Irving Cares, Inc. as of and for the year ended March 31, 2016, were audited by TravisWolff LLP, whose practice became part of Armanino^{LLP}, as of January 1, 2017, and whose report dated June 30, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style. The letters "Armanino" are connected together, and "LLP" is written in a slightly more spaced-out, but still connected, cursive style. The signature is contained within a thin black rectangular border.

Armanino^{LLP}
May 31, 2017
Dallas, Texas

IRVING CARES, INC.
 Statements of Financial Position
 Years Ended March 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 235,727	\$ 315,774
Pledges receivable	-	30,000
Inventories	58,806	50,048
Prepaid expenses and other assets	6,433	12,311
Total current assets	300,966	408,133
Property and equipment, net	41,893	39,141
Total assets	\$ 342,859	\$ 447,274
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 4,788	\$ 9,125
Accrued expenses	35,692	20,665
Total current liabilities	40,480	29,790
Commitments and contingencies (Note 6)		
Net assets:		
Unrestricted	1,939	35,413
Temporarily restricted	300,440	382,071
Total net assets	302,379	417,484
Total liabilities and net assets	\$ 342,859	\$ 447,274

See accompanying notes to financial statements.

IRVING CARES, INC.
 Statements of Activities
 Years Ended March 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and support:						
Contributions:						
Financial assistance	\$ -	\$ 109,949	\$ 109,949	\$ -	\$ 245,520	\$ 245,520
Contributions-in-kind	-	715,147	715,147	-	591,283	591,283
Food pantry	-	90,943	90,943	-	275,431	275,431
Employment services	-	47,366	47,366	-	51,914	51,914
General program	-	81,250	81,250	-	100,000	100,000
General and management	354,726	-	354,726	310,937	-	310,937
Special events	348,278	-	348,278	333,961	-	333,961
Total contributions	703,004	1,044,655	1,747,659	644,898	1,264,148	1,909,046
Other revenue:						
Interest and other	112	-	112	134	-	134
Net assets released from restrictions	1,126,286	(1,126,286)	-	1,125,826	(1,125,826)	-
Total revenue and support	1,829,402	(81,631)	1,747,771	1,770,858	138,322	1,909,180
Expenses:						
Program services	1,478,252	-	1,478,252	1,524,493	-	1,524,493
Management and general	143,681	-	143,681	123,692	-	123,692
Fundraising	240,943	-	240,943	197,874	-	197,874
Total expenses	1,862,876	-	1,862,876	1,846,059	-	1,846,059
Change in net assets	(33,474)	(81,631)	(115,105)	(75,201)	138,322	63,121
Net assets, beginning of the year	35,413	382,071	417,484	110,614	243,749	354,363
Net assets, end of year	\$ 1,939	\$ 300,440	\$ 302,379	\$ 35,413	\$ 382,071	\$ 417,484

See accompanying notes to financial statements.

IRVING CARES, INC.
 Statements of Cash Flows
 Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows used in operating activities:		
Change in net assets	\$ (115,105)	\$ 63,121
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,598	14,724
Contribution of property and equipment	(3,600)	-
Changes in operating assets and liabilities:		
Pledges receivable	30,000	(30,000)
Inventories	(8,758)	83,640
Prepaid expenses and other assets	5,878	3,058
Accounts payable	(4,337)	(3,680)
Accrued expenses	15,027	8,363
Net cash provided by (used in) operating activities	(65,297)	139,226
Cash flow used in investing activities:		
Purchases of property and equipment	(14,750)	(6,945)
Net cash used in investing activities	(14,750)	(6,945)
Net change in cash and cash equivalents	(80,047)	132,281
Cash and cash equivalents, beginning of year	315,774	183,493
Cash and cash equivalents, end of year	\$ 235,727	\$ 315,774

See accompanying notes to financial statements.

IRVING CARES, INC.
Statements of Functional Expenses
Years Ended March 31, 2017 and 2016

	2017				2016			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries	\$ 436,790	\$ 80,175	\$ 133,280	\$ 650,245	\$ 436,748	\$ 77,416	\$ 79,884	\$ 594,048
Employee health and retirement benefits	13,297	3,181	3,238	19,716	11,155	1,480	96	12,731
Total employee compensation	450,087	83,356	136,518	669,961	447,903	78,896	79,980	606,779
Financial assistance housing	94,287	-	-	94,287	120,103	-	-	120,103
Financial assistance utilities	53,798	-	-	53,798	66,248	-	-	66,248
Financial assistance other	1,345	-	-	1,345	1,110	-	-	1,110
Financial assistance prescriptions	995	-	-	995	1,540	-	-	1,540
Food purchases	90,749	-	-	90,749	117,814	-	-	117,814
Distribution of food	632,260	-	-	632,260	649,923	-	-	649,923
Employment assistance	15,210	-	-	15,210	17,062	-	-	17,062
Professional services	-	18,900	-	18,900	-	16,850	24,715	41,565
Maintenance	6,390	375	78	6,843	7,354	679	163	8,196
Equipment rental	10,389	1,143	1,143	12,675	9,179	1,147	1,147	11,473
Technology	7,955	6,621	3,576	18,152	8,644	3,449	3,201	15,294
Rent	60,095	8,484	2,121	70,700	21,250	3,000	750	25,000
Events and programs	-	-	84,124	84,124	-	-	73,254	73,254
Conference, conventions, networking	727	400	395	1,522	530	85	60	675
Education	1,005	388	1,464	2,857	2,844	450	1,072	4,366
Subscriptions	35	-	3,161	3,196	399	20	438	857
Travel	676	1,401	8	2,085	758	618	971	2,347
Dues	2,015	111	381	2,507	3,573	278	518	4,369
Insurance	12,630	7,613	646	20,889	6,636	4,254	485	11,375
Graphic design	1,780	425	879	3,084	2,733	474	1,111	4,318
Phone	7,172	879	1,079	9,130	7,334	917	917	9,168
Office supplies	2,588	286	323	3,197	3,404	753	742	4,899
Printing	5,534	2,247	3,700	11,481	8,005	1,879	5,769	15,653
Postage	2,642	665	658	3,965	3,118	855	1,918	5,891
Depreciation	14,112	828	658	15,598	13,276	808	640	14,724
Miscellaneous and other	3,776	9,559	31	13,366	3,753	8,280	23	12,056
Total expenses	\$ 1,478,252	\$ 143,681	\$ 240,943	\$ 1,862,876	\$ 1,524,493	\$ 123,692	\$ 197,874	\$ 1,846,059

See accompanying notes to financial statements.

IRVING CARES, INC.
Notes to Financial Statements
March 31, 2017

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Irving Cares, Inc. (the Organization), a voluntary health and welfare organization, was formed in the state of Texas in 1957 to perform acts of charity by providing assistance to needy and destitute families and dependent neglected children. Assistance is provided to Irving residents in the form of financial assistance, food, prescriptions, job searches, and information and referral. The Organization is a partner agency with the United Way of Metropolitan Dallas (United Way) and is primarily supported by its partnership with the United Way, fund raisers, and donors.

Basis of presentation

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 (US GAAP). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting periods. Significant estimates made in preparing the financial statements include allocation of functional expenses, and valuation of donated foods. Accordingly, actual results may vary from management's estimates.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets of the Organization are classified and reported as follows:

- *Unrestricted net assets*: net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- *Temporarily restricted net assets*: net assets subject to donor-imposed stipulations that may be, or will be, met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions and other assets limited to specific uses by donor-imposed restrictions are reported as temporarily restricted net assets even if the restrictions are met in the same period the contributions and other assets are recognized.
- *Permanently restricted net assets*: net assets subject to donor-imposed stipulations to be maintained in perpetuity by the Organization.

Cash equivalents

The Organization considers all highly-liquid investments with maturities of three months or less, when purchased, to be cash equivalents. Cash equivalents as of the years ended March 31, 2017 and 2016, consisted of money market accounts.

IRVING CARES, INC.
Notes to Financial Statements
March 31, 2017

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Pledges receivable

The Organization maintains receivables due from various contributors. An allowance for doubtful accounts is established through a provision for bad debts, charged to expense, and represents management's best estimate of possible losses that may occur within the pledges receivable portfolio. There were no estimated losses charged to bad debt expense during the years ended March 31, 2017 and 2016, and no allowance for doubtful accounts was required as of March 31, 2017 and 2016, respectively.

Contributions

Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when promises are made or donated items are received, and are immediately available for unrestricted use unless specifically restricted by the donor. Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises expected to be collected in future years are recorded at their fair values.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

Inventories

The majority of the Organization's inventories are food item donations obtained from the public. These items are recorded at estimated fair value, which approximates the estimated selling price. Fair value is based on an average cost per pound for the type of food items in the Organization's inventories as determined by a nationally recognized hunger-relief charity.

Donated materials and contributed services

Donated materials are recorded in the accompanying financial statements as contribution revenue with offsetting expenses or capitalized assets at their estimated fair value at the date of receipt. Donated materials are valued using industry standard per-pound pricing values and the related expense is recorded at the time the donated materials are distributed.

The Organization received food donations of approximately \$641,000 and \$566,000 for the years ended March 31, 2017 and 2016, respectively. The Organization received free rent of approximately \$71,000 and \$25,000 for the years ended March 31, 2017 and 2016, respectively. The Organization received donated fixed assets of approximately \$3,600 for the year ended March 31, 2017 and no donated fixed assets for the year ended March 31, 2016.

Contributed services are reflected in the financial statements at the estimated fair value of the services received if they (a) create or enhance nonfinancial assets or (b) require and are provided by individuals with specialized skills and, if not provided by donation, would typically need to be purchased. For the years ended March 31, 2017 and 2016, there were no contributed services recorded.

IRVING CARES, INC.
Notes to Financial Statements
March 31, 2017

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Property and equipment

Property and equipment is carried at cost, if purchased, or fair value at the date of gift, if donated. The Organization capitalizes all donations of and expenditures for property and equipment in excess of \$1,000. Upon retirement or sale, the cost of assets disposed of, and the related accumulated depreciation, are removed from the accounts and any resulting gain or loss is recorded as other income. Repairs and maintenance costs are expensed as incurred. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets which range from four to ten years.

Federal income taxes

Irving Cares, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entity has unrelated business income. The Organization did not have any taxable unrelated business income during the years ended March 31, 2017 and 2016.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the statements of activities and functional expenses. Accordingly, certain functional costs have been allocated among the programs and supporting services benefited.

Fair value of financial instruments

The Organization's financial instruments consist of cash and cash equivalents and pledges receivable. These financial instruments are stated at cost, which approximates fair value due to the short-term nature of the assets.

Concentrations of credit risk

Financial instruments exposed to concentrations of credit risk consisted primarily of cash, cash equivalents, and pledges receivable. The Organization did not incur, and does not anticipate incurring, losses related to these balances.

There were no donor organizations that contributed 10% or more during the year ended March 31, 2017 and 2016.

IRVING CARES, INC.
Notes to Financial Statements
March 31, 2017

Note 2 - Property and Equipment

Property and equipment consisted of the following as of March 31:

	2017	2016
Computers and equipment (4 to 5 year life)	\$ 168,708	\$ 150,358
Office equipment (5 to 7 year life)	51,300	51,300
Transportation equipment (7 to 10 year life)	27,690	27,690
Total property and equipment	247,698	229,348
Less accumulated depreciation	(205,805)	(190,207)
Total property and equipment, net	\$ 41,893	\$ 39,141

Depreciation expense for the years ended March 31, 2017 and 2016 was \$15,598 and \$14,724, respectively.

Note 3 - Retirement Plan

The Organization offers its employees participation in a SIMPLE (Savings Incentive Match Plan for Employees) IRA plan. All employees with at least \$5,000 in compensation are eligible. Employees may contribute up to \$14,000, based on age, per year, and the Organization will make a contribution of up to 3% of the employee's compensation. The Organization's contribution expense was approximately \$14,000 and \$9,000 for the years ended March 31, 2017 and 2016, respectively.

Note 4 - Net Assets

Temporarily restricted net assets are available for the following purposes at March 31:

	2017	2016
Financial assistance	\$ 87,425	\$ 136,357
Food pantry and other	213,015	245,714
Total temporarily restricted net assets	\$ 300,440	\$ 382,071

IRVING CARES, INC.
Notes to Financial Statements
March 31, 2017

Note 4 - Net Assets - (Continued)

The Organization released the following net assets from donor restrictions by incurring expenses that satisfied the restricted purposes during the years ended March 31:

	<u>2017</u>		<u>2016</u>
Financial assistance	\$ 158,881	\$	187,679
Food pantry	752,418		878,569
Rent	70,700		25,000
Employment assistance	61,593		33,872
Specific expenses	1,444		-
Management and general	81,250		706
	<u>1,126,286</u>		<u>1,125,826</u>
Total net assets released from restrictions	\$ 1,126,286	\$	1,125,826

Note 5 - Related Party Transactions

For the years ended March 31, 2017 and 2016, the Organization received contributions of approximately \$44,700 and \$38,200, respectively, from employees of the Organization and members of the board of directors of the Organization. These amounts are included in contribution revenue in the accompanying statement of activities.

Note 6 - Commitments and Contingencies

Leases

As of November 13, 2014, The City Council of the City of Irving, Texas agreed to waive the lease payments for Irving Cares, Inc., in consideration of assistance for not less than 10,000 City of Irving residents per year. The previous lease agreement was terminated and lease payments ceased immediately. The lease for the building was extended for Irving Cares, Inc. for an additional five year term, through August 1, 2021, with no lease payments due through that date. Because the space has a rental value of \$70,700 annually, based on the original rental agreement with Irving Cares, Inc. and the City of Irving, this rental waiver will be considered an in-kind contribution in the amount of \$70,700 for rent waived from April 1, 2016 through March 31, 2017.

The Organization currently leases certain office equipment under non-cancelable operating leases. Total expense related to the lease of this equipment through the fiscal year end was approximately \$8,000 and \$9,000 for the years ended March 31, 2017 and 2016, respectively. Future minimum lease payments totaling approximately \$48,000 are due through fiscal year 2022 under the lease agreement; approximately \$10,000 is due in fiscal year 2018 through fiscal year 2021 and \$8,000 due in fiscal year 2022.

Note 7 - Subsequent events

Management has evaluated subsequent events through May 31, 2017, the date the financial statements were available to be issued.