



To Whom It May Concern:

Generally Accepted Accounting Principles (GAAP) require that non-profits record income in the fiscal year it is received, even if some or all of that income will be carried over and expended in the following fiscal year. For fiscal year 2018, Tri-Lakes Cares used a zero-based budgeting system where we budget for our expenses to equal our revenue. Thus, we end up budgeting to a negative number.

We want to reiterate that Tri-Lakes Cares is in a sound financial position and has sufficient income to cover all our expenses. If you have any questions about our budgeting process or audit, you can contact me at ExecutiveDirector@Tri-LakesCares.org or at 719-481-4864 x101 or our Board Treasurer, Brian Werner, CPA at brian@brwtax.com.

If you have any questions about a grant application or Tri-Lakes Cares generally, please contact our Development Manager, Christine Bucher, at 719-481-4864, ext 110 or DevelopmentManager@Tri-LakesCares.org.

Sincerely,

A handwritten signature in blue ink that reads "Haley Chapin". The signature is written in a cursive, flowing style.

Haley Chapin
Executive Director
Tri-Lakes Cares

Improving people's lives through emergency, self-sufficiency, and relief services.





CERTIFIED PUBLIC ACCOUNTANTS

TRI-LAKES CARES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2018
AND
INDEPENDENT AUDITOR'S REPORT

TRI-LAKES CARES

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-Lakes Cares

We have audited the accompanying financial statements of Tri-Lakes Cares, a non-profit organization, which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, 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 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 of 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 Tri-Lakes Cares as of September 30, 2018, 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.

Report on Summarized Comparative Information

The September 30, 2017 financial statements of Tri-Lakes Cares were audited by other auditors. Those auditors expressed an unmodified audit opinion on those audited financial statements in their report dated December 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBJ Certified Public Accountants

Colorado Springs, Colorado
December 7, 2018

TRI-LAKES CARES

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2018 (with comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 162,241	\$ 122,928
Grants and contributions receivable	64,858	87,378
Inventories	13,916	18,568
Prepaid expenses	10,792	13,268
Gift cards	2,520	2,596
Total current assets	254,327	244,738
PROPERTY AND EQUIPMENT, NET	410,272	420,796
ROYALTY INTEREST	1,000	1,000
TOTAL ASSETS	\$ 665,599	\$ 666,534
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,954	\$ 14,262
Accrued liabilities	19,800	17,773
Total liabilities	36,754	32,035
NET ASSETS		
Unrestricted	430,138	462,520
Unrestricted - board designated	100,000	100,000
Total unrestricted	530,138	562,520
Temporarily restricted	98,707	71,979
Total net assets	628,845	634,499
TOTAL LIABILITIES AND NET ASSETS	\$ 665,599	\$ 666,534

(See accompanying notes to financial statements)

TRI-LAKES CARES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018 (with comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE				
Value of donated goods and services received	\$ 677,084	\$ -	\$ 677,084	\$ 668,880
Contributions	315,059	70,066	385,125	327,841
Grant revenue	151,771	151,055	302,826	373,046
Special events and fundraisers, net	13,350		13,350	1,250
Royalties	1,394		1,394	1,129
Interest income	240		240	317
Other income	18,221		18,221	459
Net assets released from restriction	194,393	(194,393)		
Total	1,371,512	26,728	1,398,240	1,372,922
EXPENSES				
Program services:				
Pantry	518,887		518,887	496,498
Family stabilization	489,064		489,064	574,661
Housing and utilities	142,275		142,275	139,467
Total program services	1,150,226	-	1,150,226	1,210,626
Supporting services:				
Fundraising and development	152,668		152,668	149,270
General and administrative	101,000		101,000	103,780
Total supporting services	253,668	-	253,668	253,050
Total	1,403,894	-	1,403,894	1,463,676
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	(32,382)	26,728	(5,654)	(90,754)
DISCONTINUED OPERATIONS				(12,988)
CHANGE IN NET ASSETS	(32,382)	26,728	(5,654)	(103,742)
NET ASSETS, beginning of year	562,520	71,979	634,499	738,241
NET ASSETS, end of year	\$ 530,138	\$ 98,707	\$ 628,845	\$ 634,499

(See accompanying notes to financial statements)

TRI-LAKES CARES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 (with comparative totals for 2017)

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (5,654)	\$ (103,742)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	10,524	10,527
Changes in operating assets and liabilities:		
Grants and contributions receivable	22,520	(20,019)
Inventories	4,652	26,212
Prepaid expenses	2,476	(2,005)
Gift cards	76	1,849
Accounts payable	2,692	(5,863)
Accrued liabilities	2,027	(7,869)
Net cash provided by (used in) operating activities	<u>39,313</u>	<u>(100,910)</u>
INVESTING ACTIVITIES		
Net cash used in investing activities		
Acquisition of property and equipment	<u> </u>	<u>(2,626)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,313	(103,536)
CASH AND CASH EQUIVALENTS - beginning of year	122,928	226,464
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 162,241</u>	<u>\$ 122,928</u>

(See accompanying notes to financial statements)

TRI-LAKES CARES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (with comparative totals for 2017)**

	2018							2017 Total
	Program Services				Other Services			
	Family Stabilization	Pantry	Housing and Utilities	Total	Fundraising and Development	General and Administrative	Total	
Direct expenses								
Housing assistance	\$ -	\$ -	\$ 45,055	\$ 45,055	\$ -	\$ -	\$ 45,055	\$ 42,565
Groceries and food assistance	3,377	35,198		38,575			38,575	35,462
Medical assistance	22,705			22,705			22,705	56,600
General assistance	9,847	1,331		11,178			11,178	19,594
Education assistance	10,195			10,195			10,195	18,127
Transportation	9,141			9,141			9,141	8,209
Utilities	3,083			3,083			3,083	3,485
Insurance assistance	2,835			2,835			2,835	4,095
School supplies	1,554			1,554			1,554	2,381
Gas vouchers	825			825			825	1,836
Home repair assistance	425			425			425	2,324
Other	1,615			1,615			1,615	413
Total	65,602	36,529	45,055	147,186	-	-	147,186	195,091
Value of donated goods	110,950	407,266	55	518,271			518,271	514,907
Total direct expenses	176,552	443,795	45,110	665,457	-	-	665,457	709,998
Indirect expenses								
Salaries	105,015	57,710	66,343	229,068	97,900	73,080	400,048	397,146
Payroll taxes	10,924	5,798	7,082	23,804	10,652	7,722	42,178	35,149
Facilities	27,533	5,198	268	32,999	1,119	1,139	35,257	40,883
Information technology	12,567	2,020	1,385	15,972	4,941	1,913	22,826	36,704
Value of donated goods	9,026	1,486	28	10,540	7,396	895	18,831	22,859
Office expenses	5,530	406	42	5,978	12,228	485	18,691	14,658
Fees for services	1,491			1,491	3,428	11,160	16,079	20,993
Advertising and promotion	3,988	354	68	4,410	9,188	245	13,843	13,379
Depreciation	9,851			9,851	305	368	10,524	10,527
Meetings	4,096	383	315	4,794	898	544	6,236	10,186
Insurance	5,094	182	171	5,447	390	373	6,210	5,759
Travel	1,561	268	194	2,023	604	453	3,080	7,093
Total	196,676	73,805	75,896	346,377	149,049	98,377	593,803	615,336
Value of donated services	115,836	1,287	21,269	138,392	3,619	2,623	144,634	138,342
Total indirect expenses	312,512	75,092	97,165	484,769	152,668	101,000	738,437	753,678
TOTAL	\$ 489,064	\$ 518,887	\$ 142,275	\$ 1,150,226	\$ 152,668	\$ 101,000	\$ 1,403,894	
PERCENTAGE	35%	37%	10%	82%	11%	7%	100%	
Comparative totals - 2017	\$ 574,661	\$ 496,498	\$ 139,467	\$ 1,210,626	\$ 149,270	\$ 103,780		\$ 1,463,676
Percentage of totals - 2017	39%	34%	10%	83%	10%	7%		100%

(See accompanying notes to financial statements)

TRI-LAKES CARES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — Tri-Lakes Cares (the Organization), a non-profit organization, was incorporated in Colorado on January 24, 1984. Tri-Lakes Cares is a community based, volunteer supported, resource center whose purpose is to improve people's lives through emergency assistance, self-sufficiency and relief programs. In addition, the Organization hosts several other community partners, enabling their clients to obtain medical assistance, access food, apply for government programs, as well as meeting several other basic needs all in one location.

The Organization also operated a thrift store, Hangers to Hutches, which sold general merchandise to customers. All items sold in the thrift store were donated by members of the community. The thrift store was also used as a resource for clients who were in need of clothing and other household items. In September 2016 the Organization decided to terminate the operation of Hangers to Hutches. The operation of Hangers to Hutches fully ceased on October 13, 2016. See note 6.

The Organization is dependent on grants and contributions from the community and grantor agencies to maintain its operations at current levels.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization currently has no permanently restricted net assets.

Cash and Cash Equivalents — Cash and cash equivalents consist of the Organization's cash in its checking and money market accounts. The Organization maintains its cash and cash equivalents at commercial banks. The Organization did not have funds in excess of the insured limits with any financial institution as of September 30, 2018.

Property and Equipment — Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Acquisitions in excess of \$2,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 3-50 years.

Inventories — Inventories primarily consist of donated food items valued at an estimated wholesale value of \$1.73 and \$1.67 per pound as of September 30, 2018 and 2017, respectively. The estimated value was provided by the leading food bank of southern Colorado.

Contributions — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in restricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants and Contributions Receivable — Grants and contributions receivable are stated at the amount the Organization expects to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances, they have concluded that no allowance for doubtful accounts is necessary.

Royalty Interest — In 2010, the Organization received a royalty interest in mineral property. The Organization has estimated the value of this royalty interest at \$1,000.

Income Taxes — The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction. Income generated by the Organization's thrift store is specifically excluded from tax under Internal Revenue Code Section 513(a)(3).

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns for 2015 through the current period remain open to examination by the Internal Revenue Service and relevant state authorities.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expense — The costs of providing various program and supporting services 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.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditor's Report, which is the date the financial statements were available for issuance.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2018	2017
Land and buildings	\$ 498,604	\$ 498,604
Furnishings and equipment	<u>40,211</u>	<u>40,211</u>
Total	538,815	538,815
Less: Accumulated depreciation	<u>128,543</u>	<u>118,019</u>
Total	<u>\$ 410,272</u>	<u>\$ 420,796</u>

3. BOARD DESIGNATED UNRESTRICTED NET ASSETS

The Board of Directors has designated net assets as an operating reserve in the amount of \$100,000.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	2018	2017
Pantry	\$ 19,522	\$ 4,711
Medical assistance	18,704	16,299
Family stabilization	18,302	19,200
Youth	10,381	2,107
Other	<u>31,798</u>	<u>29,662</u>
Total	<u>\$ 98,707</u>	<u>\$ 71,979</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. Net assets were released from restrictions by satisfying the following restricted purposes during the years ended September 30:

	2018	2017
Medical assistance	\$ 35,495	\$ 96,683
Family stabilization	27,392	38,800
Pantry	25,438	20,528
Housing and utilities	18,087	13,901
Youth	14,733	17,198
Self-Sufficiency	13,685	17,914
Senior programs	12,489	15,000
SNAP outreach	11,729	18,988
Other	<u>35,345</u>	<u>64,282</u>
Total	<u>\$ 194,393</u>	<u>\$ 303,294</u>

5. DONATED GOODS AND SERVICES

Client Programs

The solicitation, receipt, storage and distribution of donated food products constitute the Organization's principal operating activity. The value of unrestricted donated food and sundry products received and distributed during the year ended September 30, 2018 was \$407,270 and \$410,227, respectively. The value of donated food and sundry products received and distributed during the year ended September 30, 2017 was \$381,594 and \$387,089, respectively.

Donated medical services and supplies received and distributed during the year ended September 30, 2018 totaled \$85,820 and \$85,798, respectively. The value of donated medical services and supplies received and distributed during the year ended September 30, 2017 was \$75,144 and \$75,988, respectively.

Donated holiday gifts for seniors and children received and distributed during the year ended September 30, 2018 totaled \$28,237 and \$28,237, respectively. The value of donated holiday gifts for seniors and children received and distributed during the year ended September 30, 2017 totaled \$30,643 and \$30,643, respectively.

Donated school supplies received and distributed during the year ended September 30, 2018 totaled \$12,582 and \$11,735, respectively. The value of donated school supplies received and distributed during the year ended September 30, 2017 totaled \$7,560 and \$6,093, respectively.

Donated services received and provided to clients during the year ended September 30, 2018 totaled \$39,004 and \$39,004, respectively. Donated services received and provided to clients during the year ended September 30, 2017 totaled \$40,317 and \$40,317, respectively. Examples of some services include car repair, home repairs, counseling and utilities.

Donated supplies received and distributed by the Organization for the purpose of aiding clients during the year ended September 30, 2018 totaled \$61,964 and \$63,576, respectively. The value of donated supplies received and distributed by the Organization for the purpose of aiding clients during the year ended September 30, 2017 totaled \$82,530 and \$84,709, respectively. Examples of some of these items include clothing, technology, and other supplies.

Operational Support

Donated services for operational support and donated goods received and used by the Organization for operational support during the year ended September 30, 2018 totaled \$42,207 and \$43,159, respectively. The value of donated services for operational support and donated goods received and used by the Organization for operational support for the year ended September 30, 2017 totaled \$51,092 and \$51,269, respectively.

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. No such services were provided during the years ended September 30, 2018 and 2017.

The Organization also receives donated services not reflected in the financial statements as they do not meet the criteria for recognition under Generally Accepted Accounting Principles. For the years ended September 30, 2018 and 2017, the Organization received approximately 12,098 and 13,083 volunteer hours, respectively, with an estimated value of \$323,984 and \$315,824, respectively.

6. DISCONTINUED OPERATIONS

The Organization operated a thrift store, Hangers to Hutches, which sold general merchandise to customers. All items sold in the thrift store were donated by the members of the community. The thrift store was also used as a resource for clients who are in need of clothing and other household items.

In September 2016, the Board of Directors approved the closing of Hangers to Hutches and all related operations ceased as of October 13, 2016. There were no activities related to Hangers to Hutches during the year ended September 30, 2018. Additionally, there were no balances related to Hangers to Hutches as of September 30, 2018 and 2017.

Following are the summarized assets, liabilities and activities of Hangers to Hutches for the years ended September 30, 2017:

ACTIVITIES OF OPERATIONS HELD FOR DISPOSAL

REVENUE

In-kind contributions	\$ 20,285
Merchandise sales	5,603
Other income	<u>14,180</u>
Total	<u>\$ 40,068</u>

EXPENSES

Cost of sales, in-kind	\$ 38,340
Other expenses	<u>14,716</u>
Total	<u>\$ 53,056</u>

CHANGE IN NET ASSETS FROM DISCONTINUED OPERATIONS

\$ (12,988)