

CARITAS OF WACO

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

WITH INDEPENDENT AUDITORS' REPORT

CARITAS OF WACO

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Caritas of Waco

We have audited the accompanying financial statements of Caritas of Waco (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 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.

Basis for Qualified Opinion

We were unable to test physical inventory or obtain supporting documentation regarding food and non-food inventory stated at a total of \$115,981 in the accompanying statements of assets, liabilities, and net assets as of December 31, 2013 due to the timing of when we were engaged to perform the audit. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above presented fairly in all material respects, the financial position of Caritas of Waco as of December 31, 2013 and 2012, 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.

Pattillo, Brown & Hill, L.L.P.

October 3, 2014

FINANCIAL STATEMENTS

CARITAS OF WACO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 653,453	\$ 631,843
Pledge receivable	29,911	232,373
Marketable securities	202,901	206,137
Food inventory	20,461	20,461
Nonfood inventory	95,520	95,520
Total current assets	1,002,246	1,186,334
Beneficial interest in charitable remainder trust	150,395	150,395
Beneficial interest in assets held by Waco Foundation	1,419,493	1,846,491
Property and equipment, net	2,429,228	1,709,685
Total assets	\$ 5,001,362	\$ 4,892,905
LIABILITIES		
Current liabilities:		
Accrued liabilities	\$ 18,552	\$ 18,552
Other liabilities	2,122	2,965
Total current liabilities	20,674	21,517
NET ASSETS		
Unrestricted net assets:		
Designated for endowment	1,419,493	1,267,839
Undesignated	3,517,601	3,389,403
	4,937,094	4,657,242
Temporarily restricted net assets	43,594	214,146
Total net assets	4,980,688	4,871,388
Total liabilities and net assets	\$ 5,001,362	\$ 4,892,905

See accompanying notes and auditors' report.

CARITAS OF WACO
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>
Revenues and gains:			
In-kind donations of food and nonfood products	\$ 11,880,198	\$ -	\$ 11,880,198
Contributions	448,075	-	448,075
Bequest	-	-	-
Thrift store sales	278,181	-	278,181
Program grants	141,509	128,789	270,298
Shared maintenance fees	213,298	-	213,298
Special events, net expenses of \$21,417	59,614	-	59,614
Investment income	9,709	-	9,709
Realized loss on sale of assets	-	-	-
Unrealized gain (loss) on investments	(8,112)	-	(8,112)
Change in value of charitable remainder trust	-	-	-
Change in value of assets held by Waco Foundation	202,595	-	202,595
Released from temporary restriction	299,341	(299,341)	-
Total revenue	<u>\$ 13,524,408</u>	<u>\$ (170,552)</u>	<u>\$ 13,353,856</u>
Expenses			
Program services:			
In-kind donations	\$ 11,880,198	\$ -	\$ 11,880,198
Emergency assistance	412,730	-	412,730
Household products distribution	214,696	-	214,696
Thrift stores	237,658	-	237,658
Supporting services:			
Management and general	463,022	-	463,022
Fundraising	36,252	-	36,252
Total Expenses	<u>\$ 13,244,556</u>	<u>\$ -</u>	<u>\$ 13,244,556</u>
Change in net assets	\$ 279,852	\$(170,552)	\$ 109,300
Net assets at beginning of the year	4,657,242	214,146	4,871,388
Net assets at the end of the year	<u>\$ 4,937,094</u>	<u>\$ 43,594</u>	<u>\$ 4,980,688</u>

See accompanying notes and auditors' report.

CARITAS OF WACO
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>
Revenues and gains:			
In-kind donations of food and nonfood products	\$ 14,218,256	\$ -	\$ 14,218,256
Contributions	405,662	-	405,662
Bequest	8,000	-	8,000
Thrift store sales	262,641	-	262,641
Program grants	206,680	298,576	505,256
Shared maintenance fees	202,810	-	202,810
Special events, net expenses of \$12,700	63,691	-	63,691
Investment income	5,142	-	5,142
Realized loss on sale of assets	(6,968)	-	(6,968)
Unrealized gain (loss) on investments	3,076	-	3,076
Change in value of charitable remainder trust	6,413	-	6,413
Change in value of assets held by Waco Foundation	161,984	-	161,984
Released from temporary restriction	<u>985,817</u>	<u>(985,817)</u>	<u>-</u>
Total revenue	<u>\$ 16,523,204</u>	<u>\$ (687,241)</u>	<u>\$ 15,835,963</u>
Expenses			
Program services:			
In-kind donations	\$ 14,494,482	\$ -	\$ 14,494,482
Emergency assistance	562,868	-	562,868
Household products distribution	73,565	-	73,565
Thrift stores	209,220	-	209,220
Supporting services:			
Management and general	253,572	-	253,572
Fundraising	<u>58,133</u>	<u>-</u>	<u>58,133</u>
Total Expenses	<u>\$ 15,651,840</u>	<u>\$ -</u>	<u>\$ 15,651,840</u>
Change in net assets	\$ 871,364	\$(687,241)	\$ 184,123
Net assets at beginning of the year	3,785,878	901,387	4,687,265
Net assets at the end of the year	<u>\$ 4,657,242</u>	<u>\$ 214,146</u>	<u>\$ 4,871,388</u>

See accompanying notes and auditors' report.

CARITAS OF WACO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 109,300	\$ 184,123
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation expense	83,350	48,566
Loss on sale of assets	-	6,968
(Increase) decrease in:		
Pledge receivable	202,462	463,493
Inventory	-	276,226
Change in value of beneficial interest in charitable remainder trust	-	(6,412)
Change in value of beneficial interest in assets held by Waco Foundation	426,998	37,916
Increase (decrease) in:		
Accrued liabilities	-	(293)
Other liabilities	(843)	(189)
Net cash provided (used) by operating activities	<u>821,267</u>	<u>1,010,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments (including dividends reinvested)	3,236	(7,590)
Net investment in property and equipment	(802,893)	(834,670)
Net cash provided (used) by investing activities	<u>(799,657)</u>	<u>(842,260)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	21,610	168,138
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>631,843</u>	<u>463,705</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 653,453</u>	<u>\$ 631,843</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and auditors' report.

CARITAS OF WACO

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Program Services			
	In-kind Donations	Emergency Assistance	Household Products Distribution	Thrift Stores
In-kind nonfood distributed	\$ 9,853,680	\$ -	\$ -	\$ -
In-kind food distributed	2,026,518	-	-	-
Salaries	-	220,110	150,001	154,212
Food purchases	-	140,441	-	-
Food for families	-	-	-	-
Assistance to individuals	-	23,745	-	-
Utilities	-	-	-	16,433
Depreciation	-	-	-	-
Payroll taxes	-	18,833	12,993	13,358
Insurance	-	-	-	-
Repairs and maintenance	-	85	8,874	6,450
Ladies of Charity	-	-	-	1,531
Truck	-	-	25,843	-
Professional fees	-	-	-	-
Building expense	-	-	-	802
Rent	-	-	-	22,000
Supplies	-	1,006	4,751	4,866
Printing and postage	-	-	-	-
Telephone	-	-	2,476	4,541
Miscellaneous and other	-	8,510	4,572	4,851
Waste disposal	-	-	5,186	5,292
Bank fees	-	-	-	3,322
Total expenses	\$ 11,880,198	\$ 412,730	\$ 214,696	\$ 237,658

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
\$ -	\$ -	\$ 9,853,680	\$ 11,548,352
-	-	2,026,518	2,946,130
113,061	30,909	668,293	598,929
-	-	140,441	140,669
30,888	-	30,888	25,655
16,144	-	39,889	29,515
27,653	-	44,086	41,852
83,350	-	83,350	48,566
9,100	2,535	56,819	50,586
52,787	-	52,787	35,290
16,413	-	31,822	10,147
-	-	1,531	8,504
-	-	25,843	34,490
19,045	-	19,045	16,820
494	-	1,296	10,344
-	-	22,000	11,000
25,729	255	36,607	12,370
16,755	-	16,755	16,345
4,505	-	11,522	11,378
43,013	2,553	63,499	35,416
520	-	10,998	13,233
3,565	-	6,887	6,248
<u>\$ 463,022</u>	<u>\$ 36,252</u>	<u>\$ 13,244,556</u>	<u>\$ 15,651,839</u>

CARITAS OF WACO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Caritas of Waco (Caritas) is a nonprofit organization dedicated to providing direct assistance to the needy of Central Texas. Caritas primarily provides emergency assistance by distributing to individuals and families a monthly allocation of food, which is obtained from various sources including local food drives, businesses and congregations, salvage from grocery stores, and Capital Area Food Bank. Caritas also provides emergency assistance to meet needs for clothing, utilities, prescription medications, rent, transportation, and emergency lodging. Caritas receives support in the form of contributions from individual donors, foundations, and corporations. Caritas also sells donated goods via thrift stores located in Waco and Bellmead.

Basis of Accounting

The financial statements of Caritas of Waco have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under ASC 958, Caritas of Waco 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.

Also in accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

Unrestricted Net Assets represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of Caritas of Waco in accordance with its bylaws. The Board may voluntarily designate unrestricted resources of specific purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing board do not have the same legal requirements as do restrictions of funds.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Such contributions are reported as increases in temporarily restricted net assets. When the restrictions are met (either by passage of time or by use) the net assets are reported as “net assets released from restrictions” on the statement of activities.

Permanently Restricted Net Assets

Permanently Restricted Net Assets represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or a specified period, with only the income to be utilized. The Board of Directors is authorized to utilize the earnings from these funds for the general operations of Caritas.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Caritas reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. Caritas reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained. Caritas reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses, including routine repairs and maintenance and planned major maintenance activities, are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of this statement, Caritas considers cash in bank and all highly liquid investments with original maturity of three months or less at the date of acquisition to be “cash equivalents.”

Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fixed Assets

Caritas capitalizes expenditures for fixed assets in excess of \$500 at cost. Depreciation on fixed assets is calculated on the straight-line method over the estimated useful lives of the assets. Fixed assets which are received from donations are recorded at fair value at the date of the gift.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pledges Receivable

Unconditional promises to give are recorded as receivables and support when received. The pledges have not been discounted. Caritas expects that the promise will be fully paid and has determined that no allowance for uncollectible amounts is necessary. These pledges are primarily related to the capital campaign to renovate the Organization's facility and payable over a three year period.

Marketable Securities

Investments in marketable securities are reported at fair value as determined by quoted market prices. As of December 31, 2013 and 2012, the fair value of investments held was \$202,901 and \$206,137, respectively. Investment income and net appreciation of marketable securities consisted of the following for the year ended December 31.

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 9,709	\$ 5,142
Investment expenses	\$(4,833)	\$(628)
Realized gain	-	-
Change in unrealized gain (loss)	<u>(8,112)</u>	<u>3,076</u>
	<u>\$(3,236)</u>	<u>\$ 7,590</u>

Investment income reported in the statement of activities includes interest earned on cash and cash equivalents of \$9,709 for 2013 and \$5,142 for 2012.

Donated Goods and Services

Caritas reports the fair value of gifts of donated food and other products over which it has control (i.e., variance power) as unrestricted public support and, shortly thereafter, as expense when distributed to individuals and organizations. Caritas estimates the average wholesale value of one pound of donated food product to be \$1.69 for 2013 and \$1.69 for 2012 and the average wholesale value of one pound of donated nonfood product to be \$3.98 for 2013 and \$3.98 for 2012 based on a study performed by Feeding America.

Caritas receives noncash contributions of clothes and other items for resale in its thrift stores. Because a significant portion of the contributions received are not salable and therefore have little or no value, Caritas reports revenue from such donations when the items are sold.

A substantial number of volunteers have donated significant amounts of their time to Caritas and its programs; however, these donated services are not reflected in the financial statements since these services do not create or enhance nonfinancial assets or require special expertise. Volunteers contributed 32,464 and 34,816 hours of service during 2013 and 2012, respectively. Caritas estimates that the fair value of donated services received but not recognized as revenues was \$235,364 and \$252,416 for 2013 and 2012, respectively.

Remainder Trust

Caritas was named as a 50% beneficiary in an irrevocable charitable remainder unitrust agreement executed on June 29, 1995. The trust agreement places no restrictions on the beneficiaries as to the use of the donated trust assets and states that Caritas is to receive an equal distribution of the remaining trust assets, along with another not-for-profit organization, after the death of both donors to the trust. The fair market value of the total trust assets on the date of initial funding in 1995 was \$315,669. The value of Caritas' interest in the remainder trust is recorded in the financial statements with any re-evaluation of the expected future distribution to Caritas recognized as a change in the value of the remainder trust in the statement of activities during the year of change. The account is valued at the fair value of the underlying investment at year-end due to the fact that the investment interest rate and the distribution rate to the donors is the same.

Beneficial Interest in Assets Held by Waco Foundation

Caritas has two accounts under agreement to be managed by the Waco Foundation, a community foundation. The income earned (excluding net realized and unrealized appreciation) on the transferred assets will be paid at least annually to Caritas. The income may, if both Caritas and Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of Waco Foundation. It is intended that assets be held for the benefit of Caritas as long as the need for the fund exists. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, Waco Foundation has the right to substitute another beneficiary in the place of Caritas without the approval of Caritas. A beneficial interest in assets held by others has been recorded in the statement of financial position at the fair value of the underlying assets, which was \$1,419,493 and \$1,846,491 at December 31, 2013 and 2012, respectively.

In addition, the Waco Foundation holds funds donated directly to the Waco Foundation for the benefit of Caritas which are not reflected in these financial statements. The fair value of these assets was \$346,433 and \$305,922 at December 31, 2013 and 2012, respectively.

During the year ended December 31, 2013 and 2012, the value Caritas' beneficial interest in assets held by Waco Foundation changed as follows:

	<u>2013</u>	<u>2012</u>
Transfers from (to) Caritas	\$(622,645)	\$(245,797)
Contributions	-	5,125
	<u>(622,645)</u>	<u>(240,672)</u>
Net investment income:		
Dividends and interest	19,016	25,660
Investment expenses	<u>(6,597)</u>	<u>(7,567)</u>
	<u>12,419</u>	<u>18,093</u>
Net appreciation:		
Realized gains (losses)	114,115	(3,406)
Unrealized gains	<u>69,113</u>	<u>188,069</u>
	<u>183,228</u>	<u>184,663</u>
	<u>\$(426,998)</u>	<u>\$(37,916)</u>

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Noncash contributions are recorded at their fair market value on the date contributed.

Buildings and Equipment

Buildings, vehicles and equipment are capitalized at cost. Fixed assets that are donated to the Organization are recorded at fair market value at the time of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 39 years.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to make them comparable to the current year.

Fair Value Measurements

Certain assets and liabilities in the financial statements of Caritas are reported as fair value, in accordance with FASB Statement No. 157, Fair Value Measurements, which defines fair value 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. The statement establishes a framework for measuring fair value in GAAP, identifying three levels of measurements: quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3); Level 1 inputs receive the highest priority when measuring fair value. Fair values of assets are measured on a recurring basis and were as follows at December 31:

	<u>Fair Value</u>	<u>Fair Value Measurement at Reporting Date Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
December 31, 2013			
Marketable securities	\$ 202,091	\$ 202,091	\$ -
Beneficial interest in charitable remainder trust	150,395	-	150,395
Beneficial interest in assets held by Waco Foundation	<u>1,419,493</u>	<u>-</u>	<u>1,419,493</u>
	<u>\$ 1,771,979</u>	<u>\$ 202,091</u>	<u>\$ 1,569,888</u>
December 31, 2012			
Marketable securities	\$ 206,137	\$ 206,137	\$ -
Beneficial interest in charitable remainder trust	150,395	-	150,395
Beneficial interest in assets held by Waco Foundation	<u>1,846,491</u>	<u>-</u>	<u>1,846,491</u>
	<u>\$ 2,203,023</u>	<u>\$ 206,137</u>	<u>\$ 1,996,886</u>

2. FIXED ASSETS

Fixed assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 20,000	\$ 20,000
Building and improvements	2,531,067	1,815,682
Furniture and equipment	<u>487,605</u>	<u>410,097</u>
	3,038,672	2,245,779
Less accumulated depreciation	<u>(609,444)</u>	<u>(536,094)</u>
	<u>\$ 2,429,228</u>	<u>\$ 1,709,685</u>

Depreciation charged to expense totaled \$83,350 and \$48,566 during 2013 and 2012, respectively.

3. ENDOWMENT

The Board of Directors of Caritas has designated certain assets for the establishment of an endowment fund to provide income for the ongoing operations and maintenance of the Organization. As discussed in Note 1, internally designated amounts are reported as a component of unrestricted net assets. At December 31, 2013 and 2012, Caritas' endowment consisted entirely of board-designated funds. Caritas has entrusted the management of its endowment funds to the Waco Foundation. The net assets of the endowment and the changes therein were as follows for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Endowment net assets, January 1	\$ 1,267,839	\$ 1,135,514
Net income/ appreciation	202,595	161,984
Investment and administrative fees and grants approved	<u>(50,941)</u>	<u>(29,659)</u>
Endowment net assets, December 31	<u>\$ 1,419,493</u>	<u>\$ 1,267,839</u>

4. DONATED INVENTORY

Caritas receives, sorts, stores, and distributes donated commodities from various sources. During 2013, Caritas received and distributed approximately 1.8 million pounds of food products, and approximately 2.3 million pounds of nonfood products. Physical inventories of donated commodities consisted of the following at December 31, 2013 and 2012:

	<u>Inventory Pounds</u>	<u>Estimated Fair Value</u>	<u>Inventory Dollar Value</u>
December 31, 2013			
Food inventory	\$ 12,107	\$ 1.69	\$ 20,461
Nonfood inventory	<u>24,000</u>	3.98	<u>95,520</u>
	<u>\$ 36,107</u>		<u>\$ 115,981</u>
December 31, 2012			
Food inventory	\$ 12,107	\$ 1.69	\$ 20,461
Nonfood inventory	<u>24,000</u>	3.98	<u>95,520</u>
	<u>\$ 36,107</u>		<u>\$ 115,981</u>

Expenses associated with handling and maintaining donated inventory are shared with organizations that Caritas receives food from and distributes nonfood products to. Amounts received from other organizations to recover costs are reported as income (shared maintenance fees and in-kind donations) on the statement of activities. Amounts paid are reported as expenses (food purchases and shared maintenance) on the statement of functional expenses.

5. **FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefitted.

6. **INCOME TAXES**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for the last three years are subject to examination by the IRS, generally for three years after they were filed.

7. CONCENTRATIONS OF CREDIT RISK

Caritas maintains cash and other short-term investments with stock brokerage firms. These investments are uninsured and represent a concentration of credit risk to Caritas.

During 2013, substantially all in-kind donations of nonfood products were received from a single donor. The current level of Caritas' operations and program services would be significantly impacted if contributions from this donor were discontinued.

During 2012, substantially all in-kind donations of nonfood products were received from a single donor. The current level of Caritas' operations and program services would be significantly impacted if contributions from this donor were discontinued.

8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 3, 2014, the date at which the financial statements were available to be issued, and determined that there are no events to disclose.