THREE SQUARE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

HOULDSWORTH
RUSSO & COMPANY
Certified Public Accountants

THREE SQUARE

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three square™
together, we can feed everyone
A member of FEEDING AMERICA

September 30, 2014

Dear Friends,

The 2013-14 fiscal year witnessed marked progress towards realizing our vision that "No one in our community should be hungry."

Several key indicators confirm our strategic direction and celebrate our progress:

- 33 million pounds of food distributed through 600 program partners
- 13 million pounds of food rescued from 160 retail partners
- More than 14,000 volunteers contributed nearly 100,000 hours to fight hunger
- These volunteers, in part, packed between 6,000 – 9,000 meals daily in our kitchen
- Direct mail donations increased 49%
- Our SNAP team helped facilitate about $5 million in benefits to over 4,000 individuals

We are delighted and humbled by the generous response of the philanthropic community in Southern Nevada, who remain untiring and passionate about making nutritious food available to everyone. Three Square has ended the fiscal year efficiently, with a strong financial position that readies us for the demands and opportunities ahead.

Our Board of Directors and staff team remain committed to an aggressive growth strategy that has resulted in several of our key strategic goals being accomplished well ahead of time.

Three Square's core values of compassion, collaboration, innovation, stewardship, transparency and urgency continually light our pathway as we embody the fact that: "Together, we can feed everyone."

Graciously yours,

Brian Burton

Brian Burton, President and CEO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Three Square
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying statements of Three Square (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Three Square as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on page 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of Three Square's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Square's internal control over financial reporting and compliance.

Houldsworth, Russo + Co., P.C.

Las Vegas, Nevada
September 30, 2014

THREE SQUARE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 511,786	$ 1,818,898
Cash and cash equivalents, restricted	2,212,462	1,920,462
Investments	1,300,957	507,345
Investments, restricted	1,688,984	1,979,993
Accounts receivable, net	268,507	303,607
Other receivables	54,688	39,969
Pledges receivable	347,135	727,778
Grants receivable	564,270	606,905
Inventory	3,496,355	2,172,246
Prepaid expenses	508,040	590,357
	10,953,184	10,667,560
OTHER ASSETS		
Investments, permanently restricted	2,000,000	2,000,000
Pledges receivable, net of current portion and discount	157,526	442,419
Property and equipment, net	17,583,383	17,892,125
	$ 30,694,093	$ 31,002,104
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 421,269	$ 311,799
Accrued expenses	303,402	261,500
Deferred revenue	-	181,903
Capital lease payable, current portion	71,797	-
Refundable advance	98,406	-
	894,874	755,202
LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	447,682	-
NET ASSETS		
Unrestricted	19,331,476	19,366,946
Temporarily restricted	8,020,061	8,879,956
Permanently restricted	2,000,000	2,000,000
	29,351,537	30,246,902
	$ 30,694,093	$ 31,002,104

See notes to financial statements

THREE SQUARE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Revenue, gains and other support:		
In-kind contributions	$ 49,311,542	$ 32,760,043
Contributions and grants	7,583,381	6,603,402
Shared maintenance fees	2,490,795	1,904,438
Special events, net	91,891	125,143
Investment return	305,556	100,827
Rental income	257,272	227,142
Other income	248,776	26,317
	60,289,213	41,747,312
Net assets released from restrictions	2,308,741	2,140,347
	62,597,954	43,887,659
Expenses:		
Food program	58,911,458	42,011,402
Management and general	1,393,551	1,365,210
Fundraising	2,293,580	1,679,086
Loss on disposal of property and equipment	14,773	490
Bad debt expense	20,062	20,573
	62,633,424	45,076,761
DECREASE IN UNRESTRICTED NET ASSETS	(35,470)	(1,189,102)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	1,123,477	1,662,386
Investment return	325,369	291,777
Net assets released from restrictions	(2,308,741)	(2,140,347)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(859,895)	(186,184)
DECREASE IN NET ASSETS	(895,365)	(1,375,286)
NET ASSETS AT BEGINNING OF YEAR	30,246,902	31,622,188
NET ASSETS AT END OF YEAR	$ 29,351,537	$ 30,246,902

See notes to financial statements

THREE SQUARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Food Program	Management and general	Fundraising	Total
Advertising	$ 4,351	$ 2,996	$ 184,222	$ 191,569
Bank service charges	-	83,914	386	84,300
Computer support	20,582	18,933	41,889	81,404
Conferences	20,566	1,645	7,495	29,706
Depreciation	912,447	81,012	50,985	1,044,444
Dues and subscriptions	15,977	23,382	1,842	41,201
Employee benefits	244,475	60,903	73,034	378,412
Employee costs	16,374	1,700	1,799	19,873
Grants	21,039	-	-	21,039
Inventory disbursed	53,366,554	83,351	125,828	53,575,733
Insurance	119,253	15,214	14,535	149,002
Interest	-	12,295	-	12,295
Meals	34,702	15,646	29,756	80,104
Occupancy	320,651	36,342	23,833	380,826
Office	56,171	23,583	140,267	220,021
Payroll taxes	218,994	54,556	65,422	338,972
Printing	20,949	2,139	426,866	449,954
Professional fees	4,785	159,125	254,382	418,292
Program materials	132,042	27	1,217	133,286
Repairs and maintenance	144,664	10,048	5,206	159,918
Rent	57,284	7,311	12,050	76,645
Salaries	2,729,522	679,978	815,416	4,224,916
Supplies	13,162	10,750	5,230	29,142
Travel	54,406	8,701	11,920	75,027
Vehicle expenses	382,508	-	-	382,508
	$ 58,911,458	$ 1,393,551	$ 2,293,580	$ 62,598,589

THREE SQUARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Food Program	Management and general	Fundraising	Total
Advertising	$ -	$ 641	$ 220,794	$ 221,435
Bank service charges	-	81,587	9	81,596
Computer support	37,144	28,936	35,505	101,585
Conferences	7,564	2,110	8,155	17,829
Depreciation	932,039	84,994	40,884	1,057,917
Dues and subscriptions	15,766	20,713	1,326	37,805
Employee benefits	209,312	60,923	60,327	330,562
Employee costs	14,709	1,145	1,185	17,039
Grants	88,312	-	-	88,312
Inventory disbursed	37,213,765	84,191	3,601	37,301,557
Insurance	92,633	11,946	8,892	113,471
Meals	27,054	14,447	11,103	52,604
Occupancy	318,607	33,859	19,292	371,758
Office	37,322	21,666	109,948	168,936
Payroll taxes	183,704	53,470	52,947	290,121
Printing	6,851	662	269,716	277,229
Professional fees	4,685	170,611	156,735	332,031
Program materials	80,534	872	9	81,415
Repairs and maintenance	129,932	12,703	5,531	148,166
Salaries	2,278,445	663,167	656,690	3,598,302
Supplies	16,299	5,238	7,969	29,506
Travel	48,625	10,202	8,407	67,234
Vehicle expenses	268,100	1,127	61	269,288
	$ 42,011,402	$ 1,365,210	$ 1,679,086	$ 45,055,698

THREE SQUARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from shared maintenance fees	$ 2,624,301	$ 1,899,963
Cash received from contributions and grants	9,325,017	8,635,919
Cash received from other activities	634,605	363,650
Cash paid to food suppliers	(5,206,713)	(3,521,204)
Cash paid for operating expenses	(8,146,371)	(7,274,036)
Net cash provided by (used in) operating activities	(769,161)	104,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property and equipment	6,500	-
Purchases of property and equipment	(198,887)	(92,521)
Sales of investments	2,899,330	2,776,078
Purchases of investments	(2,914,284)	(3,824,822)
Net cash used in investing activities	(207,341)	(1,141,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital lease obligations	(38,610)	-
Net cash used in financing activities	(38,610)	-
DECREASE IN CASH	(1,015,112)	(1,036,973)
BEGINNING CASH	3,739,360	4,776,333
ENDING CASH	$ 2,724,248	$ 3,739,360
SUPPLEMENTAL DISCLOSURES		
Interest paid and expensed	$ 12,295	$ -
Assets acquired through accounts payable	$ -	$ 10,220
Assets acquired through capital leases	$ 558,089	$ -
SUMMARY OF CASH ACCOUNTS		
Cash	$ 511,786	$ 1,818,898
Cash, restricted	2,212,462	1,920,462
	$ 2,724,248	$ 3,739,360

See notes to financial statements

THREE SQUARE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CHANGE IN NET ASSETS	$ (895,365)	$ (1,375,286)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,044,444	1,057,917
Donated assets	-	(32,040)
Donated food received	(49,132,159)	(32,688,962)
Donated food distributed	47,926,461	32,710,681
Change in allowance on accounts and pledges receivable	20,561	9,409
Net change in discount on long-term debt	(27,578)	(27,033)
Realized/unrealized (gain)/loss on investments	(487,649)	(262,822)
Loss on disposal of property and equipment	14,774	490
(Increase) decrease in operating assets:		
Accounts receivable	14,906	(122,877)
Other receivables	(14,719)	(19,590)
Grants receivable	42,635	(107,901)
Pledges receivable	692,747	254,875
Prepaid expenses	33,605	(28,025)
Prepaid expenses related to solar panels	48,712	44,979
Inventory	(118,411)	546,179
Increase (decrease) in operating liabilities:		
Accounts payable	109,470	(2,487)
Accrued expenses	41,902	28,382
Deferred revenue	(181,903)	118,403
Refundable Advance	98,406	-
Net cash provided by (used in) operating activities	$ (769,161)	$ 104,292

See notes to financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Three Square (the Organization) is a nonprofit entity organized under the laws of the State of Nevada on December 13, 2006. The Organization's mission is to provide wholesome food to hungry people, while working to end hunger in Southern Nevada. The Organization procures food from individuals, manufacturers, food distributors and grocery stores and then distributes food to other nonprofit agencies feeding those in need; provides food to school children on the weekends, during the evening and over the summer through various programs; and provides other services for the purpose of ending hunger in Southern Nevada. The Organization is supported through donor contributions, grants from donors and organizations, and minimal fees charged for some food items distributed. Accordingly, future operations may be affected by adverse changes in local economic conditions in Clark County, Nevada.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 regarding nonprofit organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Timely 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 certain reported amounts and disclosures, some of which may need revision in future periods.

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets and Services

Donated assets are recorded as a contribution and as an addition to property, plant and equipment at an estimated fair market value on the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-50-1 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

No contributed services were received for the year ended June 30, 2013. For the year ended June 30, 2014, contributed services of $11,958 consisted of the following: photography services, entertainment services, waste management services, and public relations services. The photography service expenses totaling $564 were used to benefit the Organization and its events and were included in the fundraising functions. The entertainment services provided totaling $8,600 were to benefit the Organization and its events and were included in fundraising expenses. The waste management services totaling $1,954 were used to benefit the Organization and its warehouse operations and were included in program, management and general, and fundraising expenses. The public relations services totaling $840 were used to benefit the Organization and its events and were included in fundraising expenses.

Deferred Revenue

For the year ended June 30, 2013, deferred revenue consisted of prepaid tickets and sponsorships for the Organization's annual special event, DISH, which took place in September 2013. As of June 30, 2014 no prepaid ticket or sponsorship revenue had been collected related to DISH. Therefore, there is no deferred revenue balance for the year ended June 30, 2014.

Accounts Receivable

The accounts receivable balance consists mainly of the minimal fees charged to agencies for food and non-food items distributed. Accounts receivable are stated at the amount management expects to collect from outstanding balances. It is the Organization's policy to charge off uncollectible accounts receivable for the program when management determines the receivable will not be collected. The allowance for uncollectible receivables was $0 and $367 as of June 30, 2014 and 2013, respectively. The shared maintenance fees are delinquent when not received within thirty days. No interest income is recognized or charged on accounts receivable.

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. In accordance with accounting standards, management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

penalties, ultimately due or owed. No amounts have been identified, or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

The Organization capitalizes expenditures for property, plant and equipment in excess of $5,000 and with a useful life of greater than one year. Property, plant and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of 39 years for buildings; 15 to 39 years for building improvements; 5 years for computer equipment and software; 6 years for vehicles; 5 years for furniture, equipment and machinery; and 5 years for website design.

Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable, we compare the carrying amount of the asset group to future undiscounted net cash flows, excluding interest costs, expected to be generated by the asset group and their ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Inventory

Inventory consists of purchased and donated food and non-food items. Donated inventory is recorded when received at an estimated fair value based on a per-pound valuation of $1.72 and $1.69 provided by Feeding America, a national food bank network, for the years ended June 30, 2014 and 2013, respectively. Purchased inventory is valued on the first-in, first-out method. The breakdown of the inventory as of June 30, 2014 and 2013 are as follows:

	2014	2013
Purchased inventory	$ 888,859	$ 794,898
Donated inventory	2,607,496	1,377,348
Total inventory	$ 3,496,355	$ 2,172,246

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. 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 restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Subsequent Events

Subsequent events have been evaluated through September 30, 2014, which is the date the financial statements were available to be issued.

Gifts of Long-Lived Assets

The Organization reports gifts of land, buildings, and equipment 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 or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2. SHARED MAINTENANCE

The Organization charges fees to nonprofit agencies based on categories of donated products based on pounds received by the agencies and for purchased products by the agencies. The charge is used to offset expenses incurred by the Organization in purchasing, handling and storage of the products. The costs related to handling and storage are reported in the statement of functional expenses in the respective natural classes in the program function.

NOTE 3. ADVERTISING

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2014 and 2013, advertising costs totaled $191,569 and $221,435, respectively.

NOTE 4. INVESTMENTS

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Fees related to the investment accounts totaled $50,812 and $52,744 for the years ended June 30, 2014 and 2013, respectively.

Investments consist of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Corporate bonds and bond funds	$ 105,187	$ 96,020
Government securities	431,226	640,821
Mutual funds	1,666,850	1,509,270
Equity securities	2,786,679	2,241,227
Total	4,989,942	4,487,338
Investments, restricted	4,216,469	3,979,993
Investments, unrestricted	$ 773,473	$ 507,345

Total investment return consists of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	$ 143,276	$ 129,782
Realized gain	164,243	242,910
Unrealized gain	323,406	19,912
Total	$ 630,925	$ 392,604

NOTE 5. FAIR VALUE MEASUREMENTS

In accordance with the FASB Codification, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.
Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.
Level 3 inputs are unobservable inputs for the assets.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's only assets valued at fair value were its investments. The Organization held all of its investments in publicly traded equity or debt instruments as of June 30, 2014 and 2013 as follows:

	June 30, 2014	Quoted Prices In Active Markets For Identical Assets (Level 1)
Government securities	$ 431,226	$ 431,226
Mutual funds	1,666,850	1,666,850
Equity securities	2,786,679	2,786,679
Corporate bonds and bond funds	105,187	105,187
Total investments	$ 4,989,942	$ 4,989,942

	June 30, 2013	Quoted Prices In Active Markets For Identical Assets (Level I)
Government securities	$ 640,821	$ 640,821
Mutual funds	1,509,270	1,509,270
Equity Securities	2,241,227	2,241,227
Corporate bonds and bond funds	96,020	96,020
Total investments	$ 4,487,338	$ 4,487,338

NOTE 6. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted and restricted pledges as detailed below. Pledges receivable to be received after one year were discounted based on the year promised at a rate of 5%. A pledge allowance of $11,514 and $11,146 was recorded as of June 30, 2014 and 2013, respectively.

Pledges receivable consist of the following at June 30, 2014 and 2013, respectively:

	2014	2013
Unrestricted	$ 65,650	$ 189,396
Backpack/Children program	459,000	1,028,000
Total	$ 524,650	$ 1,217,396

NOTE 6. PLEDGES RECEIVABLE (CONTINUED)

	2014	2013
Receivable in less than one year	$ 347,135	$ 727,778
Receivable in one to five years	177,515	489,618
	524,650	1,217,396
Less allowance	(11,514)	(11,146)
Less discounts to present value	(8,475)	(36,053)
	504,661	1,170,197
Current portion	(347,135)	(727,778)
Long-term portion	$ 157,526	$ 442,419

NOTE 7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2014 and 2013, respectively:

	2014	2013
Building and building improvements	$ 17,859,989	$ 17,796,149
Land	1,103,252	1,103,252
Computer equipment and software	667,879	611,892
Vehicles	2,134,891	1,636,051
Furniture and equipment	1,364,638	1,291,511
Website design	25,364	25,364
Construction in progress	-	17,250
Total property, plant, and equipment	23,156,013	22,481,469
Accumulated depreciation	(5,572,630)	(4,589,344)
	$ 17,583,383	$ 17,892,125

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Clark County donated a building to the Organization as of November 16, 2007 with a fair market value of $4,900,000. The fair value and costs to take ownership of the asset were allocated between building and land. With the donation of the building, Clark County transferred the restrictions originally attached to the building to the Organization. Under these restrictions, the Organization shall operate as a food bank warehouse or, subject to approval by the County, for some other similar purpose for thirty (30) years. The original restrictions were assigned to the building as of December 2002 to be fully released in December 2032. Therefore, the temporarily restricted net assets represent the restricted donation of $4,900,000 with an equal portion released each year.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

The restricted assets at June 30, 2014 and 2013 were held as follows:

	2014	2013
Cash	$ 2,212,462	$ 1,920,462
Investments	1,688,985	1,979,993
Pledges receivable, net	504,661	1,170,197
Building	3,613,953	3,809,304
Total	$ 8,020,061	$ 8,879,956

The temporarily restricted assets at June 30, 2014 and 2013 were as follows:

	2014	2013
Building and land	$ 3,613,953	$ 3,809,304
Fruit and Vegetable Experience (FaVE) program	6,526	-
Agency capacity enhancement grants	308,139	328,006
School pantries program	1,116,951	-
Senior Share and Nutrition programs	729,005	1,224,343
Summer Food program	51,842	368,113
Donald W. Reynolds building maintenance	1,688,984	1,777,878
Restricted earnings from endowment for operations	-	202,115
Pledges receivable, net	504,661	1,170,197
Total	$ 8,020,061	$ 8,879,956

NOTE 9. CONCENTRATIONS

The Organization maintains cash balances in one banking institution located in Nevada. The non-interest bearing and interest-bearing cash held by the banking institutions are insured up to the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of $250,000. As of June 30, 2014, the total uninsured cash balance in these accounts was $2,196,563.

The Organization maintains cash balances in investment accounts held at two investment brokers. The cash held by each broker is insured up to the Securities Investor Protection Corporation (“SIPC”) insurance limit of $500,000 of the investment balance, including $250,000 in cash. SIPC insurance covers losses due to investment fraud. As of June 30, 2014, the total uninsured cash balance in these accounts was $9,899.

During the year ended June 30, 2013, the Organization received contribution revenue of $1,800,000 from a single source. This donation represented 31% of cash grant and contribution revenue.

NOTE 9. CONCENTRATIONS (CONTINUED)

During the year ended June 30, 2014, two outstanding pledges totaling $450,000 represented 86% of the outstanding pledges receivable. During the year ended June 30, 2013, one outstanding pledge represented 70% of the outstanding pledges receivable.

An agency partner owes the Organization $72,103 in outstanding accounts receivable at June 30, 2014 for the purchase of food. This receivable represents 27% of the outstanding receivables. As of June 30, 2013, another agency partner owed the Organization $95,464 in outstanding accounts receivable for the purchase of food. This receivable represents 31% of the outstanding receivables as of June 30, 2013.

During the year ended June 30, 2014, the Organization recognized contributions of food of $49,296,939, nearly all of the in-kind contributions and 80% of total revenue. During the year ended June 30, 2014, the Organization recognized contributions of food of $12,455,301 from two sources, representing 25% of in-kind contributions and 20% of total revenue.

During the year ended June 30, 2013, the Organization recognized contributions of food of $32,688,962, representing 99% of in-kind contributions and 78% of total revenue. During the year ended June 30, 2013, the Organization recognized contributions of food of $10,851,434 from two sources, representing 33% of in-kind contributions and 26% of total revenue.

In October 2008, the Organization entered into a contract with Feeding America (previously known as America's Second Harvest) to be a member of Feeding America. The Organization pays Feeding America for purchases of food. During the year ended June 30, 2014, the Organization paid Feeding America $1,076,313 for purchased food. The purchases of food represent 27% of total food purchases made for the year ended June 30, 2014. Feeding America donated food totaling $2,296,830 for the year ended June 30, 2014. The Organization purchased 45% of its food from two vendors, which includes Feeding America.

During the year ended June 30, 2013, the Organization paid Feeding America $780,929 for purchased food. The purchases of food represent 22% of total food purchases made for the year ended June 30, 2013. Feeding America donated food totaling $1,566,167 for the year ended June 30, 2013.

NOTE 10. COMMITMENTS

In August 2009, the Organization entered into a revolving line of credit for $1,000,000. At June 30, 2014 this line of credit had an extended maturity date of April 1, 2015. The line of credit variable interest rate is the bank's prime plus 0.50% with an interest rate floor of 5.00%. For the years ended June 30, 2014 and 2013 the prime rate was 3.25%. The balance associated with this line of credit at June 30, 2014 and 2013 was $0. The line of credit is collateralized by the Organization's accounts receivable, inventory and equipment.

In July 2011, the Organization entered into a loan management account agreement with their investment broker allowing Three Square to receive a non-purpose loan up to an amount determined by the discretionary decisions of the investment broker, including the valuation of

NOTE 10. COMMITMENTS (CONTINUED)

the Organization's collateral. This loan management account is payable upon demand at a variable interest rate of the LIBOR rate plus a 3.0% spread. At June 30, 2014 and 2013, the LIBOR rate was 0.15520% and 0.19465%, respectively. The loan management account is collateralized by the Organization's investments held with this investment broker. The balance associated with this loan was $0 and $0 as of June 30, 2014 and 2013, respectively.

During the year ended June 30, 2012, the Organization received a grant from NV Energy of $500,000 to install 100kWh of solar panels on their property. The Organization assigned the grant monies to a third party, and the third party paid for and installed the solar panels. The third party owns the solar panel assets attached to the Organization's building. In exchange for the assigned grant monies, the Organization received a credit of $500,000 for the Organization's future use of the solar energy produced by the solar panels. This credit is accounted for as a prepaid solar energy asset. The Organization entered into an agreement with the third party to utilize the solar panels for 20 years. As the Organization utilizes the energy produced from the third party, the Organization's prepaid solar energy asset is reduced monthly, based on the solar kilowatt hours produced by the solar panels multiplied by an agreed upon basic energy rate. Once the prepaid solar energy asset is depleted, the Organization will be responsible for paying for the solar energy used. The basic energy rate increases every five years. As of June 30, 2014 and 2013, the basic energy rate was $0.25 per kilowatt hour. The Organization has the option to purchase the solar panels at the end of five years for fair market value. If the Organization opts to purchase the solar energy panels, the remaining prepaid solar energy asset will be returned. If the Organization terminates the agreement before the 20 year term, the prepaid solar energy asset will be forfeited. At June 30, 2014 and 2013, the prepaid solar energy asset balance was $370,608 and $419,320, respectively, which represents the $500,000 original prepaid asset, reduced by the amount of solar energy produced and used by the Organization of $48,712 and $44,979, respectively.

During the year ended June 30, 2013, the Organization entered into a three-year service agreement with Feeding America to support its email system. The Organization will be responsible for reimbursing Feeding America for the implementation costs if the service is canceled before the term of the agreement.

During the year ended June 30, 2014, the Organization entered into an agreement with eSoftware Professionals to upgrade its internal software system. The Organization will be responsible for an estimated $80,370 in fees related to this upgrade. The expenses are expected to be incurred during the fiscal year ending June 30, 2015.

NOTE 11. ENDOWMENTS

During the year ended June 30, 2012, Three Square received a permanently restricted donation of $2,000,000 to establish an endowment. The earnings on the endowment can be used for general operating expenses.

The endowment funds consist of the following assets as of June 30,:

	2014	2013
Cash	$ 78,686	$ 72,691
Investments	2,448,798	2,129,424
	$ 2,527,484	$ 2,202,115

The endowment includes only donor-restricted endowment funds and earnings. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in accordance with the donor's wishes. There are no board designations of endowment funds.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

NOTE 11. ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund	$ 527,484	$ -	$ 2,000,000	$ 2,527,484
Total funds	$ 527,484	$ -	$ 2,000,000	$ 2,527,484

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 202,115	$ -	$ 2,000,000	$ 2,202,115
Investment return:				
Investment income	-	67,173	-	67,173
Net appreciation (realized and unrealized)	-	283,697	-	283,697
Total investment return	-	350,870	-	350,870
Investment fees	-	(25,501)	-	(25,501)
Contributions – Board	325,369	-	-	325,369
Appropriation of endowment assets for expenditure	-	(325,369)	-	(325,369)
Endowment net assets, end of year	$ 527,484	$ -	$ 2,000,000	$ 2,527,484

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund	$ 202,115	$ -	$ 2,000,000	$ 2,202,115
Total funds	$ 202,115	$ -	$ 2,000,000	$ 2,202,115

NOTE 11. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 2,000,000	$ 2,000,000
Investment return:				
Investment income	-	55,322	-	55,322
Net appreciation (realized and unrealized)	-	146,793	-	146,793
Total investment return	-	202,115	-	202,115
Reclassification of net appreciation	202,115	(202,115)	-	-
Endowment net assets, end of year	$ 202,115	$ -	$ 2,000,000	$ 2,202,115

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature would be included in unrestricted net assets. There were no deficiencies at June 30, 2014 or 2013.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets, the primary emphasis of which is on capital growth. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten year time frame. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 7%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 11. ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a current spending policy of spending the earnings from the endowment fund for operational purposes as earned in accordance with the wishes of the donor. Consequently, the Board has appropriated all earnings in the current period for expenditure in this period.

NOTE 12. CAPITAL LEASES

In July 2013, the Organization entered into an agreement to lease three copiers for 63 months due in monthly installments of $1,487, including executory costs of $500, at an interest rate of 1.8%. The value of the three copiers is $59,250.

In August 2013, the Organization entered into an agreement to lease a commercial truck for 72 months due in monthly installments of $1,533 at an interest rate of 6.26%. The value of the commercial truck is $91,816.

In November 2013, the Organization entered into an agreement to lease a commercial truck for 84 months due in monthly installments of $1,739 at an interest rate of 6.45%. The value of the commercial truck is $117,931.

In November 2013, the Organization entered into an agreement to lease a commercial trailer for 96 months due in monthly installments of $949 at an interest rate of 6.45%. The value of the commercial trailer is $71,406.

In June 2014, the Organization entered into an agreement to lease two commercial trucks for 84 months due in monthly installments of $1,605 each at an interest rate of 6.45%. The value of each commercial truck is $108,843.

The following property included in the accompanying financial statements was leased under capital leases as of June 30,:

	2014	2013
Furniture and equipment	$ 59,250	$ -
Vehicles	498,839	
Less: accumulated depreciation	(39,880)	-
	$ 518,209	$ -

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

NOTE 12. CAPITAL LEASES (CONTINUED)

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2014, are as follows:

2015	$ 107,021
2016	107,021
2017	107,021
2018	107,021
2019	95,122
Thereafter	131,292
Total minimum lease payments	654,498
Total executory costs	(26,000)
Less amount representing interest	(109,019)
Total	$ 519,479
Current obligations under capital lease	$ 71,797
Long-term obligations under capital lease	447,682
Total obligations under capital lease	$ 519,479

NOTE 13. SPECIAL EVENT INFORMATION

The special event revenue breakdown for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Revenue	$ 336,129	$ 261,353
Direct expenses	(244,238)	(136,210)
Total	$ 91,891	$ 125,143

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Three Square
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Three Square (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Three Square's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Three Square's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Three Square's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Three Square's Response to Findings

Three Square's Response to Findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Three Square's Response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo + Co., P.C.

Houldsworth, Russo & Company, P.C.
Las Vegas, Nevada
September 30, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Three Square
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited the Three Square's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Three Square's major federal programs for the year ended June 30, 2014. Three Square's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Three Square's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Square's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Three Square's compliance.

Opinion on Each Major Federal Program

In our opinion, Three Square complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

HOULDSWORTH, RUSSO & COMPANY
8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.trustHRC.com

Report on Internal Control Over Compliance

Management of Three Square is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Three Square's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Three Square's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo + Co., P.C.

Houldsworth, Russo & Company, P.C.
Las Vegas, Nevada
September 30, 2014

THREE SQUARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor Agency	Program Title	Number	Expenditures
Passed through the Nevada Department of Health and Human Services:			
U.S. Department of Agriculture	Supplemental Nutrition Assistance Program	10.561	$ 253,163
Passed through the State of Nevada:			
U.S. Department of Agriculture	Emergency Food Assistance Program	10.569	140,330
U.S. Department of Agriculture	Summer Food Service Program	10.559	211,599
U.S. Department of Agriculture	Child and Adult Care Food Program	10.558	1,654,793
U.S. Department of Agriculture Total			2,259,885
Passed through the Nevada Department of Health and Human Services:			
U.S. Department of Health and Human Services	Low Income Home Energy Assistance Program	93.568	5,600
			$ 2,265,485

See notes to financial statements

THREE SQUARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Three Square and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. PASS-THROUGH AWARDS

Three Square received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards.

NOTE 3. NON-CASH ASSISTANCE AWARDS

Three Square received non-cash assistance in the form of donated food from the U.S. Department of Agriculture through the Emergency Food Assistance Program totaling $140,330.

THREE SQUARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of Three Square.

2. One instance of a material weakness related to the audit of the financial statements, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.

3. No instances of noncompliance material to the financial statements of Three Square, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance with OMB Circular A-133.

5. The auditor's report on compliance for Three Square expresses an unqualified opinion.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was the U.S. Department of Agriculture Child and Adult Care Food Program, CFDA Number 10.558.

8. The threshold used for distinguishing between Type A and Type B programs was $300,000.

9. Three Square qualifies as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

No deficiencies related to the audit of major federal award programs that are required to be reported in accordance with *Government Auditing Standards* were noted.

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT

2014-001 Material adjustments

Condition: A material adjustment was discovered and required to be posted to the accounting records in order for the financial statements to be in accordance with generally accepted accounting principles.

Criteria: Financial statements are required to be fairly stated in accordance with generally accepted accounting principles.

THREE SQUARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT (CONTINUED)

2014-001 Material adjustments (continued)

Effect: Necessary adjustments were not posted to the accounting records before the auditors began their audit.

Cause: Management entered into several capital leases during the fiscal year that were not properly assessed for capital lease treatment. This caused adjustments that needed to be posted to the accounting records so that the financial statements are fairly stated in accordance with generally accepted accounting principles.

Recommendation: We recommend that all necessary financial statement adjustments be posted so that the financial statements are fairly stated in accordance with generally accepted accounting principles before the auditors begin their work.

Management's Response: Three Square is implementing a new checklist of required activities to be posted at the end of each accounting period.

THREE SQUARE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2013-001 Internal control reviews over reporting did not include a review of the entry into the billing system – Child and Adult Care Food Program – CFDA No. 10.558

Criteria: OMB A-133 requires the Organization to have a process designed and implemented to provide reasonable assurance that the reporting to the awarding agency is accurate and in compliance with the regulations over the federal program and grant.

Condition: Of the five months of billings tested, two months of support supplied by the sites did not agree to meals entered and billed into the State billing system.

Effect: Of the 134,286 meals billed in the five months tested, 114 of excess meals were billed representing an overbilling error rate of .08%.

Cause: The Organization implemented review procedures to verify that meals served by the approved sites were properly supported. However, the review procedures did not include reviewing the entry of the meals served in the State's billing system.

Questioned Costs: None noted.

Recommendation: We recommend that the review procedures at the end of the month include a comparison of the total number of meals reported as served by the sites to the number of meals entered into the State billing system.

Action taken: Three Square has added a checksum to the calculation sheet used to enter the number of meals into the State billing system. The checksum is compared with the total entered meals, and the checklist is initialed, verifying that the two totals match.

Current status: Corrective action was properly implemented as detailed above.

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None.