THREE SQUARE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

HOULDSWORTH RUSSO & COMPANY
Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY
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THREE SQUARE

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three square

together, we can feed everyone

A member of FEEDING AMERICA

October 7, 2015

Dear Friends:

The 2014-15 fiscal year continued our community's remarkable progress towards closing the meal gap in Southern Nevada.

A few benchmarks offer heart lifting examples:

- 35 million pounds of food distributed through a service network of 1,300 partners
- Over 13 million pounds of food rescued from 185 retail partners
- More than 20,000 volunteers contributed 129,000 hours to alleviate hunger
- Because of them, an average of 7,000 meals a day were distributed to children
- A historic $10 million endowment gift made by the Engelstad Family Foundation
- Our SNAP team brought $6.8 million in benefits to 5,400 individuals

Food insecurity remains stubbornly high, with only a small decrease in childhood hunger. Over 300,000 people in Southern Nevada still struggle with access to meals.

Three Square's Board of Directors is engaged and focused on sustainability, maintaining high standards of accountability, governance and stewardship.

Culture became a fascination this past year as we strived to build a stronger, healthier, and more cohesive work environment for our staff team. While this pursuit is never finished, we were encouraged when the Southern Nevada Human Resources Association voted Three Square "Best Place to Work in Southern Nevada" (small business category).

"Together, we can feed everyone," is more than a tag line. It is rapidly becoming a reality because thousands of people decided to be part of the solution.

Everyone at Three Square gives thanks for this progress, the blessings shared, and the opportunity ahead to fully realize our mission.

Faithfully,

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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the in-kind contributions and related expenses are based upon estimates. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The letter from the chief executive officer 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 October 7, 2015, 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 & Company, P.C.

Las Vegas, Nevada
October 7, 2015

THREE SQUARE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 85,734	$ 511,786
Cash and cash equivalents, restricted	1,145,042	2,212,462
Investments	-	773,473
Investments, restricted	2,213,075	2,216,469
Accounts receivable, net	127,121	268,507
Other receivables	28,690	54,688
Pledges receivable	2,509,866	347,135
Grants receivable	1,379,340	564,270
Inventory	5,378,359	3,496,354
Prepaid expenses	485,815	508,040
	13,353,042	10,953,184
OTHER ASSETS		
Investments, restricted	4,000,000	2,000,000
Pledges receivable, net of current portion and discount	5,448,848	157,526
Property and equipment, net	17,364,987	17,583,383
	$ 40,166,877	$ 30,694,093
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 467,669	$ 421,269
Accrued expenses	342,485	303,402
Capital lease payable, current portion	90,546	71,797
Refundable advance	40,150	98,406
	940,850	894,874
LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	461,909	447,682
NET ASSETS		
Unrestricted	20,028,682	19,331,476
Temporarily restricted	16,735,436	8,020,061
Permanently restricted	2,000,000	2,000,000
	38,764,118	29,351,537
	$ 40,166,877	$ 30,694,093

See notes to financial statements

THREE SQUARE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Revenue, gains and other support:		
In-kind contributions	$ 53,215,006	$ 49,311,542
Contributions and grants	10,237,072	7,583,381
Shared maintenance fees	2,187,944	2,490,795
Special events, net	-	91,891
Investment return	149,764	305,556
Rental income	264,786	257,272
Other income	231,229	248,776
	66,285,801	60,289,213
Net assets released from restrictions	738,678	2,308,741
	67,024,479	62,597,954
Expenses:		
Food program	62,403,550	58,911,458
Management and general	1,438,180	1,393,551
Fundraising	2,407,549	2,293,580
Loss on disposal of property and equipment	-	14,773
Bad debt expense	77,994	20,062
	66,327,273	62,633,424
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	697,206	(35,470)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	9,454,053	1,123,477
Investment return	-	325,369
Net assets released from restrictions	(738,678)	(2,308,741)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	8,715,375	(859,895)
INCREASE (DECREASE) IN NET ASSETS	9,412,581	(895,365)
NET ASSETS AT BEGINNING OF YEAR	29,351,537	30,246,902
NET ASSETS AT END OF YEAR	$ 38,764,118	$ 29,351,537

See notes to financial statements

THREE SQUARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Food Program	Management and general	Fundraising	Total
Advertising	$ 28,659	$ 2,225	$ 165,944	$ 196,828
Bank service charges	30	96,653	-	96,683
Computer support	44,665	44,509	23,419	112,593
Conferences	7,962	5,026	6,769	19,757
Depreciation	810,215	67,914	52,696	930,825
Dues and subscriptions	11,726	28,901	5,292	45,919
Employee benefits	276,053	60,811	95,192	432,056
Employee costs	18,055	2,322	6,022	26,399
Grants	53,466	-	-	53,466
Inventory disbursed	56,502,747	164,148	6,711	56,673,606
Insurance	140,576	16,014	19,382	175,972
Interest	35,103	254	41	35,398
Meals	36,495	21,925	25,340	83,760
Occupancy	343,110	36,696	27,693	407,499
Office	32,331	22,793	139,795	194,919
Payroll taxes	246,285	54,254	84,927	385,466
Printing	37,926	2,521	364,320	404,767
Professional fees	37,628	140,847	372,218	550,693
Program materials	230,723	59	111	230,893
Repairs and maintenance	116,967	5,978	4,443	127,388
Rent	58,881	17,752	527	77,160
Salaries	2,859,605	629,935	986,086	4,475,626
Supplies	27,803	4,010	9,992	41,805
Travel	54,980	10,963	10,629	76,572
Vehicle expenses	391,559	1,670	-	393,229
	$ 62,403,550	$ 1,438,180	$ 2,407,549	$ 66,249,279

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

See notes to financial statements

THREE SQUARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from shared maintenance fees	$ 2,317,816	$ 2,624,301
Cash received from contributions and grants	8,948,327	9,325,017
Cash received from other activities	600,993	634,605
Cash paid to food suppliers	(5,769,297)	(5,206,713)
Cash paid for operating expenses	(8,215,680)	(8,146,371)
Net cash used in operating activities	(2,117,841)	(769,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property and equipment	-	6,500
Purchases of property and equipment	(109,310)	(198,887)
Sales of investments	2,929,076	2,899,330
Purchases of investments	(4,110,443)	(2,914,284)
Net cash used in investing activities	(1,290,677)	(207,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in endowment	2,000,000	-
Other financing activities:		
Payments of capital lease obligations	(84,954)	(38,610)
Net cash provided by (used in) financing activities	1,915,046	(38,610)
DECREASE IN CASH	(1,493,472)	(1,015,112)
BEGINNING CASH	2,724,248	3,739,360
ENDING CASH	$ 1,230,776	$ 2,724,248
SUPPLEMENTAL DISCLOSURES		
Interest paid and expensed	$ 35,398	$ 12,295
Assets acquired through capital leases	$ 117,930	$ 558,059
SUMMARY OF CASH ACCOUNTS		
Cash	$ 85,734	$ 511,786
Cash, restricted	1,145,042	2,212,462
	$ 1,230,776	$ 2,724,248

See notes to financial statements

THREE SQUARE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CHANGE IN NET ASSETS	$ 9,412,581	$ (895,365)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	930,825	1,044,444
Donated property and equipment	(485,189)	-
Donated securities	(56,275)	-
Donated food received	(52,982,091)	(49,132,159)
Donated food distributed	50,981,608	47,926,461
Contributions restricted for investment in endowment	(2,000,000)	-
Change in allowance on accounts receivable	65,563	20,561
Change in net present value discount for pledges	545,147	(27,578)
Realized and unrealized (gain)/loss on investments	14,509	(487,649)
Loss on disposal of property and equipment	-	14,774
(Increase) decrease in operating assets:		
Accounts receivable	64,309	14,906
Other receivables	25,998	(14,719)
Grants receivable	(815,070)	42,635
Pledges receivable	(7,987,686)	692,747
Prepaid expenses	(25,877)	33,605
Prepaid expenses related to solar panels	48,102	48,712
Inventory	118,478	(118,411)
Increase (decrease) in operating liabilities:		
Accounts payable	46,400	109,470
Accrued expenses	39,083	41,902
Deferred revenue	-	(181,903)
Refundable Advance	(58,256)	98,406
Net cash used in operating activities	$ (2,117,841)	$ (769,161)

See notes to financial statements

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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.

For the year ended June 30, 2014, contributed services of $11,958 were used to benefit the Organization and consisted of the following types: photography, entertainment, waste management, and public relations. Photography, entertainment, and public relations service expenses totaling $564, $8,600 and $840, respectively, were included in the fundraising function. Waste management services totaling $1,954 were included in program, management and general, and fundraising functions.

For the year ended June 30, 2015, contributed services of $10,282 were used to benefit the Organization. Waste management, photography, engineering, and advertising service expenses of $3,398, $800, $1,200 and $4,884, respectively, were included in the program, management and general, and fundraising functions.

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 $77,077 and $0 as of June 30, 2015 and 2014, 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 $1.70 and $1.72 provided by Feeding America, a national food bank network, for the years ended June 30, 2015 and 2014, respectively. Purchased inventory is valued on the first-in, first-out method. The breakdown of the inventory as of June 30, 2015 and 2014 are as follows:

	2015	2014
Purchased inventory	$ 800,699	$ 888,859
Donated inventory	4,577,660	2,607,495
Total inventory	$ 5,378,359	$ 3,496,354

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 2014 financial statements to conform to the 2015 presentation.

Subsequent Events

Subsequent events have been evaluated through October 7, 2015, 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, 2015 and 2014, advertising costs totaled $196,828 and $191,569, respectively.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015 AND 2014

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 $60,426 and $50,812 for the years ended June 30, 2015 and 2014, respectively.

Investments consist of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Corporate bonds and bond funds	$ 162,386	$ 105,187
Government securities	276,948	431,226
Mutual funds	2,864,958	1,666,850
Equity securities	2,908,783	2,786,679
Total	6,213,075	4,989,942
Investments, restricted	6,213,075	4,216,469
Investments, unrestricted	$ -	$ 773,473

Total investment return consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	$ 164,273	$ 143,276
Realized gain	324,067	164,243
Unrealized gain(loss)	(338,576)	323,406
Total	$ 149,764	$ 630,925

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.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015 AND 2014

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, 2015 and 2014 as follows:

	June 30, 2015	Quoted Prices In Active Markets For Identical Assets (Level 1)
Corporate bonds and bond funds	$ 162,386	$ 162,386
Government securities	276,948	276,948
Mutual funds	2,864,958	2,864,958
Equity securities	2,908,783	2,908,783
Total investments	$ 6,213,075	$ 6,213,075

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

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 $0 and $11,514 was recorded as of June 30, 2015 and 2014, respectively.

Pledges receivable consist of the following at June 30, 2015 and 2014, respectively:

	2015	2014
Time restricted (no purpose restriction)	$ 294,336	$ 65,650
Childhood nutrition	218,000	459,000
Operations endowment	8,000,000	-
Total	$ 8,512,336	$ 524,650

NOTE 6. PLEDGES RECEIVABLE (CONTINUED)

	2015	2014
Receivable in less than one year	$ 2,509,866	$ 347,135
Receivable in one to five years	6,002,470	177,515
	8,512,336	524,650
Less: allowance	-	(11,514)
Less: unamortized discount	(553,622)	(8,475)
	7,958,714	504,661
Current portion	(2,509,866)	(347,135)
Long-term portion	$ 5,448,848	$ 157,526

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2015 and 2014, respectively:

	2015	2014
Building and building improvements	$ 17,859,989	$ 17,859,989
Land	1,103,252	1,103,252
Computer equipment and software	1,180,833	667,879
Vehicles	2,252,821	2,134,891
Furniture and equipment	1,364,246	1,364,638
Website design	25,364	25,364
Total property, plant and equipment	23,786,505	23,156,013
Accumulated depreciation	(6,421,518)	(5,572,630)
	$ 17,364,987	$ 17,583,383

NOTE 8. 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 include the restricted donation of $4,900,000 with an equal portion released each year.

NOTE 8. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted assets at June 30, 2015 and 2014 were held as follows:

	2015	2014
Cash	$ 1,145,042	$ 2,212,462
Investments	4,213,075	1,688,985
Pledges receivable, net	7,958,714	504,661
Building	3,418,605	3,613,953
Total	$ 16,735,436	$ 8,020,061

The temporarily restricted assets at June 30, 2015 and 2014 were as follows:

	2015	2014
Building and land	$ 3,418,605	$ 3,613,953
Fruit and Vegetable Experience (FaVE)	-	6,526
Agency capacity enhancement grants	255,072	308,139
School pantries	983,541	1,116,951
Senior Share and Nutrition programs	514,969	729,005
Summer Food program	-	51,842
Donald W. Reynolds building maintenance	1,604,535	1,688,984
Operations	2,000,000	-
Pledges receivable, net (time restricted)	7,958,714	504,661
Total	$ 16,735,436	$ 8,020,061

As of June 30, 2015 and 2014, the Organization held $2,000,000 in permanently restricted net assets (see Note 13). These net assets were held in investments.

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, 2015, the total uninsured cash balance in these accounts was $811,791.

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, 2015, all balances were insured.

During the year ended June 30, 2015, the Organization received contribution revenue of $10,000,000 from a single source. This donation represented 51% of 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, 2015, one outstanding pledge totaling $8,000,000 represented 94% of the outstanding pledges receivable.

As of June 30, 2014, an agency partner owed the Organization $72,103 in outstanding accounts receivable for the purchase of food. This receivable represents 27% of the outstanding receivables.

During the year ended June 30, 2015, the Organization recognized contributions of food of $53,900,475, nearly 100% of in-kind contributions and 70% of total revenue. During the year ended June 30, 2015, the Organization recognized contributions of food of $20,545,909 from two sources, representing 38% of in-kind contributions and 27% of total revenue.

During the year ended June 30, 2014, the Organization recognized contributions of food of $49,296,939, nearly 100% of 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.

NOTE 10. COMMITMENTS

In August 2009, the Organization entered into a revolving line of credit for $1,000,000. At June 30, 2015 this line of credit had an extended maturity date of April 1, 2016. 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, 2015 and 2014 the prime rate was 3.25%. The balance associated with this line of credit at June 30, 2015 and 2014 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 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, 2015 and 2014, the LIBOR rate was 0.12360% and 0.15520%, respectively. The loan management account is collateralized by the Organization's investments held with this investment broker. The balance associated with this loan at June 30, 2015 and 2014 was $0.

During the year ended June 30, 2012, the Organization received a grant from NV Energy of $500,000 to install 100kW 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 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

NOTE 10. COMMITMENTS (CONTINUED)

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, 2015 and 2014, 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, 2015 and 2014, the prepaid solar energy asset balance was $322,506 and $370,608, respectively, which represents the $500,000 original prepaid asset, reduced by the amount of solar energy produced and used by the Organization of $48,102 and $48,712, respectively.

NOTE 11. SPECIAL EVENTS

The special event revenue breakdown for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Revenue	$ -	$ 336,129
Direct expenses	-	(244,238)
Total	$ -	$ 91,891

NOTE 12. ESTIMATES

The Organization receives significant amounts of donated food which are recognized as in-kind revenues and inventory disbursed. The valuation of these in-kind food donations are an estimate. The amount recorded as revenue and expense is determined using the estimated weights of sourced food multiplied by the Feeding America per-pound valuation which was $1.70 per pound for 2015.

The Organization also uses estimates to allocate expenses by function. The Organization's estimate of the functional expense allocation is based upon salary and square footage allocations. The salary allocation is determined based on how much time each employee spends working in each function. The square footage allocation is based on how much space each department occupies related to each function.

NOTE 13. ENDOWMENTS

During the years ended June 30, 2012 and June 30, 2015, Three Square received permanently and temporarily restricted donations, respectively, of $2,000,000 to establish an endowment. The earnings on the endowments can be used for general operating expenses.

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

	2015	2014
Cash	$ -	$ 78,686
Investments	4,242,625	2,448,798
	$ 4,242,625	$ 2,527,484

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 13. ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2015:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund	$ 242,625	$ 2,000,000	$ 2,000,000	$ 4,242,625

Changes in endowment net assets for the year ended June 30, 2015:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 527,484	$ -	$ 2,000,000	$ 2,527,484
Investment return:				
Investment income	-	85,131	-	85,131
Net depreciation (realized and unrealized)	-	(334,950)	-	(334,950)
Total investment return	-	(249,819)	-	(249,819)
Investment fees	-	(35,040)	-	(35,040)
Contributions – Donor	-	2,000,000	-	2,000,000
Reclassifications	(284,859)	284,859	-	-
Endowment net assets, end of year	$ 242,625	$ 2,000,000	$ 2,000,000	$ 4,242,625

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

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund	$ 527,484	$ -	$ 2,000,000	$ 2,527,484

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015 AND 2014

NOTE 13. ENDOWMENTS (CONTINUED)

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

	Board Designated 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)
Appropriations	325,369	(325,369)	-	-
Endowment net assets, end of year	$ 527,484	$ -	$ 2,000,000	$ 2,527,484

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, 2015 or 2014.

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 6%. 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 13. ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a current policy of retaining the earnings within the endowment fund until such time that the Board has determined specific expenditures in which to use the earnings not restricted by the donor. This policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 14. 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.

In August 2014, the Organization entered into an agreement to lease a commercial truck for 84 months due in monthly installments of $1,739 each at an interest rate of 6.45%. The value of the commercial truck is $117,930.

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

	2015	2014
Furniture and equipment	$ 59,250	$ 59,250
Vehicles	616,769	498,839
Less: accumulated depreciation	(143,989)	(39,880)
	$ 532,030	$ 518,209

NOTE 14. CAPITAL LEASES (CONTINUED)

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2015, are as follows:

2016	$ 127,889
2017	127,889
2018	127,889
2019	115,990
2020	94,710
Thereafter	80,057
Total minimum lease payments	674,424
Total executory costs	(20,000)
Less: amount representing interest	(101,969)
Total	$ 552,455

Current obligations under capital lease	$ 90,546
Long-term obligations under capital lease	461,909
Total obligations under capital lease	$ 552,455

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, 2015, 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 October 7, 2015.

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.

A *deficiency in internal control* exists when the design or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

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 & Company, P.C.

Houldsworth, Russo & Company, P.C.
Las Vegas, Nevada
October 7, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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, 2015. 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, 2015.

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 & Company, P.C.

Houldsworth, Russo & Company, P.C.
Las Vegas, Nevada
October 7, 2015

THREE SQUARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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 - Outreach	10.561	$ 233,979
U.S. Department of Agriculture	Supplemental Nutrition Assistance Program - Education	10.561	39,448
			273,427
Passed through the Nevada Department of Agriculture:			
U.S. Department of Agriculture	Summer Food Service Program	10.559	516,714
U.S. Department of Agriculture	Child and Adult Care Food Program	10.558	2,765,403
U.S. Department of Agriculture Total			3,555,544
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	7,740
Passed through Share Our Strength:			
Corporation for National and Community Service	No Kid Hungry Social Innovation Fund	94.024	22,706
Passed through City of Las Vegas:			
U.S. Department of Housing and Urban Development	Community Development Block Grant - Senior Share	14.218	37,000
			$ 3,622,990

See notes to financial statements

THREE SQUARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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.

THREE SQUARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

2. No instances of significant deficiencies 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 programs tested as major programs were the U.S. Department of Agriculture Child and Adult Care Food Program, CFDA Number 10.558 and U.S. Department of Agriculture Summer Food Service Program, CFDA Number 10.559.

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

9. Three Square does not qualify 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

None

THREE SQUARE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR YEAR FINDINGS – 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.

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.

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