

THREE SQUARE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



HOULDSWORTH, RUSSO & COMPANY

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THREE SQUARE
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together, we can feed everyone



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College of Southern Nevada

Dallas E. Haun
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Brian Ayala
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Eric Hilton
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Barrick Gold Corporation

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The Kelley Company

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Engelstad Family Foundation

John Moon
Federal Reserve Bank of San Francisco

Anita Romero
Community Organizer

Judy Stokey
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Bank of America Merrill Lynch

Brian Burton
President & CEO

Michelle Beck
Chief Development Officer

Tifani Walker
Chief Financial Officer

Larry Scott
Chief Operating Officer

Jodi Tyson
Vice President of Strategic Initiatives

Dear Friends:

The 2018-19 fiscal year marked another big step forward for Three Square and our mission of pursuing a hunger-free community. With the unwavering dedication of our community partners, generous donors, and passionate hunger advocates and volunteers, we met or exceeded all of our ambitious annual goals.

- Provided more than 42 million meals, the equivalent of more than 50 million pounds of food and grocery product
- Rescued over 15 million pounds of food from retail partners
- Delivered more than 1.4 million Kids Cafe after-school meals
- Distributed more than 847,000 pounds of food through Senior Hunger Programs to food-insecure seniors
- Set a record of 34,000 volunteers, who donated 147,000 hours to alleviate hunger

It's hard to find the words to express how immensely grateful we are for this community's collective will to fight against hunger. Every dollar, hour and food item contributed to Three Square this past year made a direct and meaningful difference in the lives of Southern Nevadans suffering from hunger.

Because of you, Three Square can provide nutritious food to many of the people who need it most. Because of you, food-insecure children grow healthy and excel in school; low-income parents are more productive, at home and in the workplace; and vulnerable seniors and veterans can access food with dignity.

Because of you, Three Square has closed our region's meal gap by 80%. Very few food banks in the country enjoy the broad, deep, sustained and strategic support needed to do that.

But our work is not done. We believe no one in our community should be hungry, ever. That is the vision that continues to inspire us. Your support is what will make it possible.

Thank you for being a true friend of Three Square, and the food-insecure Southern Nevadans we are privileged to serve.

Together, we can feed everyone.

With gratitude,

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Three Square
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Three Square (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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Emphasis of Matter

As discussed in Note 2 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 6, 2019, 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.

Howdsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 6, 2019

THREE SQUARE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,591,205	\$ 3,002,437
Cash and cash equivalents, restricted	2,738,443	4,798,908
Investments, restricted	12,555,781	6,901,132
Accounts and other receivables, net	1,090,665	453,044
Pledges receivable	876,815	3,469,970
Grants receivable	1,002,354	1,050,110
Inventory	4,215,016	1,883,781
Prepaid expenses	256,380	320,374
	28,326,659	21,879,756
OTHER ASSETS		
Investments, restricted	12,000,000	10,000,000
Property and equipment, net	13,496,671	12,364,108
Property and equipment, net, restricted	2,637,210	2,832,558
	\$ 56,460,540	\$ 47,076,422
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 610,798	\$ 448,232
Accrued expenses	592,655	514,672
Income taxes payable	-	2,624
Capital lease payable, current portion	214,077	111,257
Current maturities of long-term debt	57,487	55,723
Other liabilities	12,293	23,880
	1,487,310	1,156,388
LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	873,296	203,551
Long-term debt, net of current maturities	41,581	99,127
	2,402,187	1,459,066
NET ASSETS		
Without donor restrictions	23,250,104	17,614,788
With donor restrictions	30,808,249	28,002,568
	54,058,353	45,617,356
	\$ 56,460,540	\$ 47,076,422

See notes to financial statements

**THREE SQUARE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
UNRESTRICTED NET ASSETS			
Revenue, gains and other support:			
In-kind contributions	\$ 73,651,385	\$ -	\$ 73,651,385
Contributions and grants	14,141,809	7,794,247	21,936,056
Shared maintenance fees	1,419,474	-	1,419,474
Catering and rental income	3,271,643	-	3,271,643
Investment return	1,333,988	268,894	1,602,882
Other income	12,425	-	12,425
	<u>93,830,724</u>	<u>8,063,141</u>	<u>101,893,865</u>
Net assets released from restrictions	5,257,460	(5,257,460)	-
	<u>99,088,184</u>	<u>2,805,681</u>	<u>101,893,865</u>
Expenses and losses:			
Food program	87,238,158	-	87,238,158
Management and general	1,183,194	-	1,183,194
Fundraising	5,006,331	-	5,006,331
	<u>93,427,683</u>	<u>-</u>	<u>93,427,683</u>
Income tax expense	2,275	-	2,275
Bad debt expense	22,910	-	22,910
	<u>93,452,868</u>	<u>-</u>	<u>93,452,868</u>
INCREASE (DECREASE) IN NET ASSETS	<u>5,635,316</u>	<u>2,805,681</u>	<u>8,440,997</u>
NET ASSETS, BEGINNING OF YEAR	<u>17,614,788</u>	<u>28,002,568</u>	<u>45,617,356</u>
NET ASSETS, END OF YEAR	<u><u>\$ 23,250,104</u></u>	<u><u>\$ 30,808,249</u></u>	<u><u>\$ 54,058,353</u></u>

See notes to financial statements

**THREE SQUARE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
UNRESTRICTED NET ASSETS			
Revenue, gains and other support:			
In-kind contributions	\$ 65,601,100	\$ -	\$ 65,601,100
Contributions and grants	15,773,369	9,801,925	25,575,294
Shared maintenance fees	1,722,281	-	1,722,281
Catering and rental income	2,596,453	-	2,596,453
Investment return	642,713	-	642,713
Other income	67,728	-	67,728
	<u>86,403,644</u>	<u>9,801,925</u>	<u>96,205,569</u>
Net assets released from restrictions	1,477,566	(1,477,566)	-
	<u>87,881,210</u>	<u>8,324,359</u>	<u>96,205,569</u>
Expenses and losses:			
Food program	79,966,988	-	79,966,988
Management and general	1,341,501	-	1,341,501
Fundraising	4,100,702	-	4,100,702
	<u>85,409,191</u>	<u>-</u>	<u>85,409,191</u>
Income tax expense	58,286	-	58,286
Bad debt expense	20,236	-	20,236
	<u>85,487,713</u>	<u>-</u>	<u>85,487,713</u>
INCREASE (DECREASE) IN NET ASSETS	<u>2,393,497</u>	<u>8,324,359</u>	<u>10,717,856</u>
NET ASSETS, BEGINNING OF YEAR	<u>15,221,291</u>	<u>19,678,209</u>	<u>34,899,500</u>
NET ASSETS, END OF YEAR	<u>\$ 17,614,788</u>	<u>\$ 28,002,568</u>	<u>\$ 45,617,356</u>

See notes to financial statements

THREE SQUARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 78,101,667	\$ 1,865	\$ 2,379,238	\$ 80,482,770
Salaries, taxes and benefits	5,733,925	894,068	1,305,849	7,933,842
Depreciation	727,263	25,842	67,949	821,054
Grants	565,779	-	-	565,779
Professional fees	234,891	60,019	247,899	542,809
Vehicle expenses	488,872	-	700	489,572
Occupancy	336,840	20,819	32,998	390,657
Rent	156,265	5,682	150,683	312,630
Printing	25,395	1,348	278,139	304,882
Advertising	49,835	-	192,686	242,521
Insurance	206,357	10,170	17,604	234,131
Office	30,458	35,051	143,699	209,208
Program materials	175,352	470	28,408	204,230
Repairs and maintenance	165,821	2,810	7,406	176,037
Supplies	35,366	1,665	94,215	131,246
Interest	87,479	-	-	87,479
Travel	61,794	8,304	7,686	77,784
Computer support	19,696	26,935	22,858	69,489
Dues and subscriptions	11,564	29,073	8,105	48,742
Bank service charges	-	41,169	3,459	44,628
Meals	7,231	13,336	6,902	27,469
Conferences	5,560	4,515	8,400	18,475
Employee costs	10,748	53	1,448	12,249
	<u>\$ 87,238,158</u>	<u>\$ 1,183,194</u>	<u>\$ 5,006,331</u>	<u>\$ 93,427,683</u>

See notes to financial statements

**THREE SQUARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 72,324,257	\$ 1,285	\$ 1,619,004	\$ 73,944,546
Salaries, taxes and benefits	4,975,881	1,016,030	1,333,343	7,325,254
Depreciation	680,745	30,419	71,467	782,631
Professional fees	93,684	76,337	197,308	367,329
Occupancy	354,868	22,824	40,190	417,882
Vehicle expenses	518,394	-	-	518,394
Printing	20,435	1,241	277,037	298,713
Program materials	264,589	9	21,670	286,268
Advertising	14,194	-	194,834	209,028
Repairs and maintenance	148,876	3,421	11,106	163,403
Insurance	155,497	11,056	19,227	185,780
Office	17,623	27,203	140,156	184,982
Supplies	28,006	4,574	20,562	53,142
Rent	238,793	2,081	110,381	351,255
Computer support	25,125	37,699	14,988	77,812
Bank service charges	150	56,757	1,228	58,135
Travel	41,503	6,714	8,985	57,202
Meals	4,874	10,823	10,340	26,037
Dues and subscriptions	14,431	26,262	3,128	43,821
Interest	25,847	3,997	19	29,863
Conferences	5,593	2,619	4,932	13,144
Employee costs	13,323	150	797	14,270
Grants	300	-	-	300
	<u>\$ 79,966,988</u>	<u>\$ 1,341,501</u>	<u>\$ 4,100,702</u>	<u>\$ 85,409,191</u>

See notes to financial statements

**THREE SQUARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,440,997	\$ 10,717,856
Adjustments to reconcile change in net assets to net cash:		
Depreciation	821,054	782,631
Donated securities	(51,980)	(729,473)
Donated food received	(73,457,343)	(65,352,287)
Donated food distributed	71,276,730	65,429,897
Donated equipment and other	(106,918)	-
Contributions restricted for investment in endowment	(2,000,000)	(2,000,000)
Bad debt expense	22,910	20,236
Change in net present value discount for pledges	-	(95,238)
Realized and unrealized (gain)/loss on investments	(1,132,012)	(390,903)
(Gain)/loss on disposal of assets	4,912	-
Changes in operating assets and liabilities:		
Accounts and other receivable	(660,530)	(127,103)
Grants receivable	47,756	43,091
Pledges receivable	2,593,154	1,001,712
Prepaid expenses	(92,048)	39,896
Inventory	(150,622)	189,588
Accounts payable	111,150	(179,607)
Accrued expenses and other	63,772	23,547
Net cash provided by operating activities	<u>5,730,982</u>	<u>9,373,843</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(531,669)	(46,009)
Sales of property and equipment	52,000	-
Sales of investments	2,646,901	3,626,749
Purchases of investments	(9,117,558)	(8,552,082)
Net cash used in investing activities	<u>(6,950,326)</u>	<u>(4,971,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investments in endowments	2,000,000	2,000,000
Payments of capital lease obligations	(196,570)	(105,242)
Proceeds from long-term debt	-	300,000
Payments of long-term debt	(55,783)	(354,097)
Net cash provided by financing activities	<u>1,747,647</u>	<u>1,840,661</u>
INCREASE IN CASH	528,303	6,243,162
CASH, BEGINNING OF YEAR	7,801,345	1,558,183
CASH, END OF YEAR	<u>\$ 8,329,648</u>	<u>\$ 7,801,345</u>
SUPPLEMENTAL DISCLOSURES		
Capital assets acquired through capital leases	\$ 969,135	\$ -
Cash paid for interest	\$ 87,479	\$ 25,874
Cash paid for income taxes	\$ 48,224	\$ 110,648
SUMMARY OF CASH ACCOUNTS		
Cash and cash equivalents	\$ 5,591,205	\$ 3,002,437
Cash and cash equivalents, restricted	2,738,443	4,798,908
	<u>\$ 8,329,648</u>	<u>\$ 7,801,345</u>

See notes to financial statements

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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. Our mission is to provide wholesome food to hungry people, while passionately pursuing a hunger-free community in Southern Nevada. We procure food from individuals, manufacturers, food distributors and grocery stores and then distribute food to other nonprofit agencies feeding those in need; provide food to school children on the weekends, during the evening, and over the summer through various programs; and provide other services for the purpose of ending hunger in Southern Nevada. We are supported through donor contributions, grants from donors and organizations, social enterprise, and minimal fees charged for some food items distributed. Accordingly, future operations may be affected by adverse changes in local economic conditions in Southern Nevada.

Basis of Accounting

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

Basis of Presentation and Reclassifications

Our financial statements are presented in accordance with the Financial Accounting Standards Board (“FASB”) Codification. Under the FASB Codification, resources must be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets are classified as without donor restrictions and with donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures, some of which may need revision in future periods. Actual results may differ from those estimates. Refer to Note 2 for discussion of significant estimates.

Income Tax Status

We are a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and are 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 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. During the years ended June 30, 2019 and 2018, we had unrelated business income from catering services, resulting in income tax expense and liability.

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with an initial maturity of three months and are stated at the lower of cost or market value.

Accounts Receivable

Accounts receivable consists primarily of nominal fees charged to agencies for items distributed and fees charged for catering services social enterprise. Management reviews accounts receivable balances to determine if an allowance for doubtful accounts is necessary. The allowance for uncollectible receivables was \$67,084 and \$49,153 as of June 30, 2019 and 2018, respectively. No interest income is recognized or charged on accounts receivable.

Inventory

Inventory consists of purchased and donated food and non-food items, as well as government commodities. Purchased inventory is valued using the first-in, first-out and weighted average methods. Donated inventory is recorded when received at an estimated fair value per pound provided by Feeding America, a national food bank network, which was \$1.62 and \$1.68 as of June 30, 2019 and 2018, respectively. Government commodities are also recorded when received at an estimated fair value per pound, provided by Feeding America, of \$1.57 and \$1.52 as of June 30, 2019 and 2018, respectively.

	As of June 30,	
	2019	2018
Purchased inventory	\$ 731,982	\$ 581,360
Donated inventory	2,324,452	563,049
Government commodity inventory	1,158,582	739,372
Total inventory	\$ 4,215,016	\$ 1,883,781

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from the asset's use and eventual disposition. If the undiscounted cash flows exceed the carrying amount, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying amount, an impairment charge is recorded based upon the fair value of the asset.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

We capitalize expenditures for property and equipment in excess of \$5,000 and with a useful life greater than one year. Property 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.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged at their estimated net realizable value. Contributions are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Investment income is recognized consistent with these policies.

Expenses

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 Three Square.

We expense advertising costs as incurred. During the years ended June 30, 2019 and 2018, advertising costs totaled \$242,521 and \$209,028, respectively.

Donated Services

Donated services are recognized as contributions in accordance with the FASB Codification, 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 Three Square.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through November 6, 2019, which is the date the financial statements were available to be issued. In July 2019, we purchased a warehouse located near our existing facilities.

Recent Accounting Pronouncements

During the fiscal year ended June 30, 2019, we adopted *ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provision of this guidance includes the presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. Three Square opted not to disclose liquidity and availability information as of June 30, 2018 as permitted in the year of adoption. As a result of adoption, investment expenses are netted against investment return in the statement of activities and we changed or presentation of net asset classes and expanded the footnote disclosures. Prior year amounts were reclassified to conform to the current year presentation.

NOTE 2. ESTIMATES

We receive significant amounts of donated food which is recognized as in-kind revenue and inventory disbursed. The valuation of these in-kind food donations is a significant estimate. The amount recorded as revenue, expense and inventory is determined using the estimated weights of sourced food multiplied by the Feeding America per-pound composite valuation which was \$1.62 and \$1.68 per pound for June 30, 2019 and 2018, respectively. The amount recorded as revenue, expense and inventory for donated government commodities is determined using the estimated weights of sourced food multiplied by the Feeding America per pound valuation of food only which was \$1.57 and \$1.52 per pound for June 30, 2019 and 2018, respectively.

We also use estimates to allocate expenses by function. Our 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.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 3. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted and restricted pledges. Pledges receivable to be received after one year were discounted based on the year promised at a rate of 5%. All pledges were deemed fully collectible for the years ended June 30, 2019 and 2018.

	As of June 30,	
	2019	2018
Time restricted (no purpose restriction)	\$ 401,815	\$ 344,970
Childhood nutrition	475,000	1,125,000
Operations endowment	-	2,000,000
Total pledges receivable	\$ 876,815	\$ 3,469,970
Receivable in less than one year	\$ 876,815	\$ 3,469,970
Receivable in one to five years	-	-
	876,815	3,469,970
Less: unamortized discount	-	-
	876,815	3,469,970
Less: current portion	(876,815)	(3,469,970)
Long-term portion	\$ -	\$ -

NOTE 4. INVESTMENTS AND FAIR VALUE

Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs.

For the fiscal years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2019 and 2018 are summarized as follows.

	Level 1	June 30, 2019
Certificates of deposit	\$ 5,343,743	\$ 5,343,743
Corporate bonds	1,763,390	1,763,390
Marketable securities	10,126,346	10,126,346
Mutual funds		
Equity	1,168,450	1,168,450
Fixed income	3,972,927	3,972,927
Alternate investments	2,180,925	2,180,925
Total investments	\$ 24,555,781	\$ 24,555,781

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 4. INVESTMENTS AND FAIR VALUE (CONTINUED)

	<u>Level 1</u>	<u>June 30, 2018</u>
Certificates of deposit	\$ 976,767	\$ 976,767
Corporate bonds	1,439,095	1,439,095
Marketable securities	7,883,579	7,883,579
Mutual funds		
Equity	1,063,467	1,063,467
Fixed income	3,455,029	3,455,029
Alternate investments	2,083,195	2,083,195
Total investments	<u>\$ 16,901,132</u>	<u>\$ 16,901,132</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	<u>As of June 30,</u>	
	<u>2019</u>	<u>2018</u>
Building and building improvements	\$ 18,010,459	\$ 17,859,989
Vehicles	3,344,258	2,581,956
Furniture and equipment	1,741,348	1,437,009
Land	1,103,252	1,103,252
Computer equipment and software	916,875	921,861
Website design	25,364	25,364
Total property and equipment	<u>25,141,556</u>	<u>23,929,431</u>
Less: accumulated depreciation	<u>(9,007,675)</u>	<u>(8,732,765)</u>
Total property and equipment, net	<u>\$ 16,133,881</u>	<u>\$ 15,196,666</u>

NOTE 6. CAPITAL LEASES

We lease assets and equipment under long-term lease agreements that are classified as capital leases. Amortization related to these assets is included in depreciation expense. Assets under capital lease obligations include the following:

	<u>As of June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 79,770	\$ 79,770
Vehicles	1,585,904	616,770
Less: accumulated amortization	<u>(631,541)</u>	<u>(416,400)</u>
Total net assets under capital lease obligations	<u>\$ 1,034,133</u>	<u>\$ 280,140</u>

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 6. CAPITAL LEASES (CONTINUED)

Future minimum lease payments under these capital leases are as follows:

Fiscal year ending June 30,		
2020	\$	297,190
2021		277,003
2022		201,619
2023		187,131
2024 and thereafter		406,785
		<u>1,369,728</u>
Less: amount representing interest		(282,355)
Less: current portion		(214,077)
Long-term capital lease obligations	\$	<u><u>873,296</u></u>

NOTE 7. LONG-TERM DEBT

Long-term debt consists of notes payable on five vehicles. All notes payable originated during the year ended June 30, 2016 and have a term of sixty months and interest rates ranging from 2.75% to 3.29%.

	As of June 30,	
	2019	2018
Vehicles	\$ 276,563	\$ 276,563
Less: accumulated depreciation	(167,662)	(112,350)
Total net assets under notes payable	<u>\$ 108,901</u>	<u>\$ 164,213</u>

Future minimum principal payments under these notes payable are as follows:

Fiscal year ending June 30,		
2020	\$	59,821
2021		42,213
		<u>102,034</u>
Less: amount representing interest		(2,966)
Less: current portion		(57,487)
Long-term debt	\$	<u><u>41,581</u></u>

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are restricted for the following purposes or periods.

	As of June 30,	
	2019	2018
Subject to expenditure for specific purpose:		
Senior nutrition programs	\$ 7,590,961	\$ 4,481,459
Building	2,492,500	-
School pantries	-	2,000,000
School pantries	1,746,501	2,295,758
Building maintenance	1,132,922	1,337,410
Childhood nutrition programs	475,000	1,125,000
Transportation	1,047,959	1,559,399
Food recovery programs	300,385	121,278
Agency capacity enhancement	201,749	217,869
Fresh food purchases	193,067	1,367,581
Total subject to expenditure for specific purpose	15,181,044	14,505,754
Subject to the passage of time:		
Building and land (A)	2,637,210	2,832,558
Pledges receivable, net	401,815	344,970
Total subject to the passage of time	3,039,025	3,177,528
Subject to organization spending policy and appropriation:		
Investment in perpetuity (original amount of \$10,000,000 and \$8,000,000 in 2019 and 2018, respectively), which once appropriated is expendable to support any activities of the organization:	12,588,180	10,319,286
Total nets assets with donor restrictions	\$ 30,808,249	\$ 28,002,568

(A) Clark County donated a building to Three Square on 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. The restrictions originally attached to the building were also transferred to Three Square. Under these restrictions, we must operate as a food bank warehouse or, subject to approval by Clark County, for some other similar purpose for thirty years. The original restrictions were assigned to the building as of December 2002 to be fully released in December 2032. Net assets with donor restrictions include the restricted donation of \$4,900,000 with an equal portion released each year.

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Our financial assets available within one year of the date of the statements of financial position for general expenditures are as follows:

	June 30, 2019
Financial assets:	
Cash and cash equivalents	\$ 5,591,205
Accounts and other receivables, net	1,090,665
Pledges receivable	876,815
Total financial assets available within one year	7,558,685
Liquidity resources	
Bank line of credit	6,000,421
Total financial assets and liquidity resources available within one year	\$ 13,559,106

We are supported by donor contributions, some of which are restricted to a particular project or program. We must maintain sufficient resources to meet these responsibilities to our donors. Thus, financial assets may not be available for general expenditure within one year and have been excluded from the table above. To manage liquidity, we maintain a line of credit that can be drawn upon as needed during the year to manage cash flows. No amounts were outstanding as of June 30, 2019. In addition, we have endowment funds, the earnings of which are available for general expenditure. See Note 11 for further details.

NOTE 10. SHARED MAINTENANCE

We charge fees to our nonprofit agency partners based on categories of donated products and pounds they receive, as well as for products purchased by the agencies. The charge is used to offset expenses incurred by Three Square in purchasing, handling, and storing the products. These costs are reported in the statement of functional expenses in the respective natural classes in the program function.

NOTE 11. ENDOWMENTS

Endowment funds include restricted donor funds, as detailed in Note 8, and Board-designated funds. As required by the FASB Codification, 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 Three Square have 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, we classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent

**THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 11. ENDOWMENTS (CONTINUED)

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 funds are appropriated for expenditure by Three Square in accordance with the donor's wishes.

Spending Policy and How the Investment Objectives Relate to Spending Policy

We have a current policy of retaining the earnings within the endowment fund until such time that the Board of Directors has determined specific expenditures in which to use the earnings not restricted by the donor. This policy is consistent with our 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.

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 us to retain as a fund of perpetual duration. Deficiencies of this nature would be included in net asset with donor restrictions. There were no deficiencies at June 30, 2019 or 2018.

Return Objectives and Risk Parameters

We have adopted investment and spending policies for endowment assets, with a primary emphasis on capital growth. Endowment assets include those assets of donor-restricted funds that we 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. We expect our 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.

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 1,600,321	\$ -	\$ 1,600,321
Donor restricted endowment funds	-	12,588,180	12,588,180
Total endowment funds	\$ 1,600,321	\$ 12,588,180	\$ 14,188,501

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 11. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 800,321	\$10,319,286	\$11,119,607
Contributions	-	2,000,000	2,000,000
Investment return, net	800,000	268,894	1,068,894
Endowment net assets, end of year	\$ 1,600,321	\$12,588,180	\$14,188,501

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 800,321	\$ -	\$ 800,321
Donor restricted endowment funds	-	10,319,286	10,319,286
Total endowment funds	\$ 800,321	\$ 10,319,286	\$ 11,119,607

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 561,934	\$ 8,434,734	\$ 8,996,668
Contributions	-	2,000,000	2,000,000
Investment return, net	544,552	-	544,552
Appropriations	115,448	(115,448)	-
Transfer to operations	(421,613)	-	(421,613)
Endowment net assets, end of year	\$ 800,321	\$10,319,286	\$11,119,607

Strategies Employed for Achieving Objectives

To satisfy our long-term rate-of-return objectives, we rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). We target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve our long-term return objectives within prudent risk constraints.

THREE SQUARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 12. CONCENTRATIONS

We have concentrated our credit risk by maintaining deposits at one financial institution, which at most times exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The loss would represent the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by the FDIC. We have not experienced any losses on our account, and do not believe we are exposed to a significant credit risk to cash.

We maintain cash balances in investment accounts held by one investment broker. The cash held is insured by the Securities Investor Protection Corporation (“SIPC”) insurance. SIPC insurance covers losses due to investment fraud.

As of June 30, 2019 and 2018, one outstanding pledge represented 54% and 58%, respectively of the outstanding net pledges receivable balance.

For the years ended June 30, 2019 and 2018, nearly 100% of all in-kind contributions were contributions of food and approximately 20% and 9.7%, respectively, were contributed by one source. For the years ended June 30, 2019 and 2018, in-kind food donations represented 72% and 75%, respectively, of total revenues.

NOTE 13. COMMITMENTS

In July 2011, we entered into a loan management account agreement with our 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 our collateral. This loan management account is payable upon demand at a variable interest rate of the LIBOR rate plus a 3.0% spread. The loan management account is collateralized by our investments held with this investment broker. No amount was drawn on the loan as of June 30, 2019 or 2018.

During the year ended June 30, 2012, we received a grant from NV Energy of \$500,000 to install of solar panels on our property. We assigned the grant monies to a third party, and the third party paid for and installed the solar panels. The third party owned the solar panel assets attached to our building, and we entered into an agreement to utilize the solar panels for 20 years. In exchange for the assigned grant monies, we received a credit of \$500,000 for future use of the solar energy produced by the solar panels. During the year ended June 30, 2019, we exercised the option to purchase the solar panels for fair value. As a result, the remaining credit was forfeited in exchange for ownership of the solar panels, which had a fair market value of \$156,042 at the date of the exchange.

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019.

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.

Las Vegas, Nevada
November 6, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

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 the Uniform Guidance, 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.

Certified Public Accountants
20 YEARS & COUNTING

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 6, 2019

**THREE SQUARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through the Nevada Department of Agriculture:				
Child Nutrition Cluster				
Summer Food Service Program	10.559	S0298	\$ 1,004,884	\$ -
Total Child Nutrition Cluster			1,004,884	-
Child and Adult Care Food Program	10.558	C1353	4,540,358	-
Food Distribution Cluster				
The Emergency Food Assistance Program - Administrative Costs	10.568	D130	439,502	-
The Emergency Food Assistance Program - Food Commodities	10.569	D130	14,420,563	14,420,563
Total Food Distribution Cluster			14,860,065	14,420,563
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	Agreement	203,761	-
Passed through the Nevada Department of Health and Human Services:				
SNAP Cluster				
Supplemental Nutrition Assistance Program - Outreach	10.561	OUT1811	312,743	-
Supplemental Nutrition Assistance Program - Education	10.561	ED1819	84,379	-
Total SNAP Cluster			397,122	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			21,006,190	14,420,563
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through the Nevada Department of Health and Human Services:				
Low-Income Home Energy Assistance Program	93.568	Agreement	50	-
Aging Cluster				
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	ACL 18AANVT3SS	909	-
Total Aging Cluster			909	-
Passed through National Council on Aging:				
Medicare Enrollment Assistance Program	93.071	Agreement	70,000	-
Passed through Nevada Silver State Exchange:				
State Planning and Establishment Grants for ACA Exchanges	93.525	HBEIE120129-01-09	58,607	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			129,566	-
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed through Share Our Strength:				
No Kid Hungry Social Innovation Fund	94.019	Agreement	64,209	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			64,209	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the City of Henderson				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	Agreement	2,768	-
Total CDBG - Entitlement Grants Cluster			2,768	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,768	-
TOTAL FEDERAL EXPENDITURES			\$ 21,202,733	\$ 14,420,563

THREE SQUARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal award activity of Three Square under programs of the federal government for the year ended June 30, 2019. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule only presents a selected portion of the operations of Three Square, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Three Square.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATES

Three Square has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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, 2019**

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 material weaknesses or significant deficiencies related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were 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 material weaknesses or significant deficiencies related to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for Three Square expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516 (a).
7. The program tested as a major program was the U.S. Department of Agriculture Food Distribution Cluster.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Three Square does not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**THREE SQUARE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None