



Certified Public Accountants
and Financial Advisors

**Carrington Charitable
Foundation and Subsidiaries**

Consolidated Financial Statements
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carrington Charitable Foundation

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Carrington Charitable Foundation and Subsidiaries (collectively the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary financial information (Details of Major Fundraising Activities) is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

SQUAR MILNER LLP

SQUAR MILNER LLP

Newport Beach, California
August 9, 2016

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

ASSETS

Cash	\$ 2,436,437
Donations receivable	173,475
Prepaid expenses	73,786
Real property, held for sale	204,288
Property and equipment, net	<u>396,872</u>
 Total assets	 <u><u>\$ 3,284,858</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Grants payable	\$ 5,000
Accrued expenses	<u>228,351</u>
Total liabilities	<u>233,351</u>

NET ASSETS

Unrestricted	1,263,512
Temporarily restricted	<u>1,787,995</u>
Total net assets	<u>3,051,507</u>
 Total liabilities and net assets	 <u><u>\$ 3,284,858</u></u>

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Fundraising	\$ 1,331,177	\$ 59,043	\$ 1,390,220
Contributed services	390,049	-	390,049
Contributed real property, net	-	682,274	682,274
Auction proceeds	491,597	252,000	743,597
Other	28,649	9,068	37,717
Total revenues	<u>2,241,472</u>	<u>1,002,385</u>	<u>3,243,857</u>
Expenses			
Donations and grants	577,150	169,000	746,150
Fundraising activities	865,016	-	865,016
Allocated administrative	390,049	-	390,049
Other	81,495	120,118	201,613
Total expenses	<u>1,913,710</u>	<u>289,118</u>	<u>2,202,828</u>
Change in Net Assets	327,762	713,267	1,041,029
Net Assets – beginning of year	<u>935,750</u>	<u>1,074,728</u>	<u>2,010,478</u>
Net Assets – end of year	<u>\$ 1,263,512</u>	<u>\$ 1,787,995</u>	<u>\$ 3,051,507</u>

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,041,029
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Contributed real property	(1,204,000)
Valuation adjustment on contributed real property	521,726
Amortization and depreciation	11,873
Changes in operating assets and liabilities:	
Donations receivable	50,711
Grants payable	(45,000)
Accounts payable and accrued expenses	(97,997)
Prepaid expenses	(353)
Net cash provided by operating activities	<u>277,989</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of real property	1,740,182
Improvements to contributed real property	(214,134)
Net cash provided by investing activities	<u>1,526,048</u>

Net increase in cash 1,804,037

CASH – beginning of period 632,400

CASH – end of period \$ 2,436,437

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

 Contributed services \$ 390,049

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

1. ORGANIZATION AND CHARITABLE MISSION

Carrington Charitable Foundation (the “Foundation” or “CCF”) was incorporated in Delaware on March 9, 2010 and is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. The Foundation is a nonprofit organization classified under Section 501(c)(3) as a public charity and is registered in the states of California, New York, Indiana and Connecticut. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). The financial support for the Foundation is derived through contributions from individuals, corporations and through fundraising activities.

The Foundation’s objective is to partner with associates of the Carrington family of companies to reach out to those in need. CCF will support charities through the collective efforts of the CCF Board of Directors and associates of the Carrington family of companies in an effort to encourage associate participation and maximize contributions to those charities. CCF seeks to promote giving back to the community through generous support of the chosen charities which reflect the interests and passions of Carrington associates.

The Foundation’s donations are primarily focused toward other 501(c)(3) organizations based on the interests of Carrington associates. All donations are determined through the combined efforts of the Foundation’s Board of Directors and Advisory Committee, which is comprised of Carrington associates.

Carrington House Property Donation Company, LLC (“CHPDC”) was formed in Delaware on January 22, 2014 and is a wholly owned subsidiary of the Foundation. The objective of CHPDC is to partner with institutions that will support the efforts of CCF in connection with military causes. CHPDC’s primary contributor has been a large financial institution that has donated primarily single-family properties for rehabilitation and resale. All the proceeds from the sale of these properties have been donated to one specific tax-exempt public charity. Through December 31, 2015, the proceeds from the sale of the contributed real property totaled \$2,288,606.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Foundation follows authoritative guidance for financial reporting for not-for-profit organizations. This guidance requires that net assets, revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted. The Foundation reports gifts and other donated assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated gifts and assets. When a donor 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.

A summary of the net asset categories included in the accompanying consolidated financial statements is as follows:

Unrestricted – Unrestricted net assets include amounts that are available for support of the Foundation’s operational and administrative functions, discretionary nonadvised amounts that are available to support community activities and charitable endeavors at the discretion of the Foundation’s Board of Directors, and discretionary donor-advised amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation’s Board of Directors.

Temporarily Restricted – Temporarily restricted amounts represent contributed funds, subject to specific donor-imposed restrictions, contingent upon a specific performance of a future event or a specific passage of time before the Foundation may spend the funds. The balance includes contributions receivable, term endowments, deferred gifts in the form of trusts and annuities and unappropriated earnings on permanently restricted endowments.

Permanently Restricted – Permanently restricted net assets represent those assets contributed to the Foundation where the original dollar value is to remain in perpetuity as a permanent endowment of the Foundation.

As of December 31, 2015, \$1,787,995 of the Foundation’s net assets were temporarily restricted, of which \$326,100 is restricted through the end of 2017 for the Carrington House program. There were no assets permanently restricted as of December 31, 2015.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Foundation to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The accompanying consolidated financial statements include accounts of the Foundation and its wholly owned subsidiary, CHPDC. All inter-company balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Foundation considers those investments that are highly liquid, readily convertible to cash and which mature within three months from the original date of purchase, to be cash equivalents. There were no cash equivalents as of December 31, 2015. The estimated fair market value of cash is equal to its carrying amounts as of December 31, 2015.

Donations Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. At December 31, 2015, donations receivable were \$173,475. There were no unconditional promises to give expected to be collected beyond one year.

Real Property, held for sale

Properties donated to the CHPDC are measured at net realizable value (“NRV”), which is the property’s fair value based upon broker price opinions from unrelated third parties, less an estimated selling cost. Property improvements are provided by a related party and repaid through escrow when the related property is sold.

Property and Equipment, net

Property and equipment, net, primarily consists of one contributed real property utilized for the Carrington House program. The real property was originally recorded at fair value at donation and is carried at cost plus improvements. The related building is depreciated based on its useful life.

Grants Payable

Unconditional promises to give that are expected to be paid within one year are recorded at their estimated net realizable value. At December 31, 2015, grants payable were \$5,000. There were no unconditional promises to give expected to be paid in the future beyond one year.

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments at Fair Market Value

Debt securities and marketable equity securities are measured at fair value based upon quoted market prices. Realized and unrealized gains and losses and interest and dividends on marketable securities are reported as investment income unless the income or loss is restricted by donor or law.

Concentrations of Credit Risk

The Foundation currently maintains substantially all of its cash with one major financial institution. At times, the cash balance may be in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist solely of cash, although the Foundation's policy allows for investments, which would be managed within guidelines established by the Foundation's Board of Directors. This policy limits the amounts which may be invested in any one issue.

Support and Revenue Recognition

The Foundation records revenues and contributions on the accrual basis of accounting. Contributions are recognized as public support pursuant to the terms of the gifts. Unless specifically restricted by the donor, all contributions are considered available for the Foundation's discretionary use.

The Foundation typically holds one major fundraising event each year for which various businesses and individuals are solicited for donations of goods and/or services and participation.

Other major sources of revenue include Carrington employee and corporate donations.

Designated Donations and Functional Allocation of Expenses

The Foundation's Board of Directors approves specific donations, scholarships and grants.

The Foundation receives donated services from the Carrington family of companies for various administrative and corporate support services. The Foundation records these donated services at their fair market value as determined by management of the Foundation and the Carrington family of companies. Management of the Foundation believes these allocations to be reasonable.

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Designated Donations and Functional Allocation of Expenses (continued)

The Carrington family of companies also provide support to the Foundation's fundraising activities through direct payment of fundraising expenses. These amounts are considered revenues and expenses of the Foundation.

All other expenses of the Foundation are considered operating expenses incurred in fundraising, providing financial and other beneficial support to various charitable programs and in administering the Foundation.

Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state revenue and taxation statutes. Accordingly, no provision for income taxes has been made. However, in accordance with GAAP, the Foundation is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Foundation recording a tax liability that would reduce net assets. The Foundation does not believe it has any unrecognized tax benefits at December 31, 2015.

Subsequent Events

The Foundation has evaluated subsequent events through August 9, 2016, the date these consolidated financial statements were available to be issued. Subsequent events are events or transactions that occur after the date of the statement of financial position but before financial statements are issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of financial position and before financial statements are available to be issued.

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proposed Accounting Standards

On April 22, 2015, the Financial Accounting Standards Board (“FASB”) issued a proposed Accounting Standards Update (“ASU”), *Topic 958: Presentation of Financial Statements of Not-For-Profit Entities* that, if adopted, would significantly change the existing presentation requirements for financial statements of not-for-profit entities (NFPs). The proposal is intended to improve the current requirements for net asset classification as well as the information presented in the financial statements and notes to the financial statements regarding liquidity, financial performance, and cash flows for NFPs. Specifically, the proposed ASU addresses (1) the complexity and understandability of net asset classifications, (2) inconsistent reporting of intermediate measures of operations in the statement of activities, (3) lack of consistency in the type of information provided about expenses for a period, and (4) inconsistencies in the reporting of operating information in the statement of activities and operating cash flows within the statement of cash flows. The amendments in this proposed ASU would be applied on a retrospective basis. Application to interim financial statements would not be required in the initial year of application, but information for those interim periods would be restated if reported with annual financial statements of that year.

3. DESCRIPTION OF PROGRAM SERVICES AND MAJOR ACTIVITIES

The following is a description of the program services and major activities of the Foundation:

Carrington House

Carrington House is the Foundation’s signature program, which strives to give wounded military Veterans of the Iraq and Afghanistan conflicts a home to make their own and modified to their particular needs. The program includes one donated property located near a key military hospital which was converted into temporary housing for seriously injured Veterans during the post-injury recovery process. The program also includes contributed real properties which are rehabilitated and sold. A portion of the proceeds from the sales of these properties were granted by the Foundation to the Gary Sinise Foundation’s R.I.S.E. Program. At the end of 2015, the Foundation fulfilled all of its contractual obligations to the Gary Sinise Foundation for the building of specially modified homes for severely wounded veterans and their families, thus concluding its relationship with the R.I.S.E. Program. Beginning in early 2016, the Foundation launched its own program to provide funding for, and manage the building and development for, the construction of custom homes or renovations of homes already owned by severely wounded U.S. veterans to enable the veteran and their families to live independently and overcome the new challenges in their lives resulting from their injuries sustained while serving our country. In 2015, the Foundation received \$252,000 in donations restricted for use towards this Program.

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

3. DESCRIPTION OF PROGRAM SERVICES AND MAJOR ACTIVITIES
(continued)

Veterans Airlift Command

This program provides free air transportation to post 9/11 combat wounded and their families for medical and other compassionate purposes through a national network of volunteer aircraft owners and pilots.

Other Donations and Grants

These proceeds include general donations received outside of the major programs described above, and donations and grants made by the Foundation to other non-profit organizations and community charities.

Property Donations

Property donations consist primarily of single-family dwellings that are rehabilitated and sold. The proceeds from the sale of these properties are used to construct new homes for severely wounded Veterans.

4. RELATED PARTY TRANSACTIONS

The Foundation receives certain administrative and corporate support from the Carrington family of companies in the form of personnel, office space and office equipment. Such amounts are allocated to the Foundation and recorded as contributed services, revenues, and allocated administrative expenses in the accompanying statement of activities and changes in net assets. During the year ended December 31, 2015, the Foundation recorded contributed services of \$390,049 from the Carrington family of companies. In addition, the Foundation receives cash donations from the Carrington family of Companies in connection with major fund raising activities. During the year ended December 31, 2015, the Foundation received \$100,000 from the Carrington family of companies.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Land	\$ 200,000
Building and improvements	212,199
Software	9,273
	<hr/>
	421,472
Less accumulated depreciation and amortization	(24,600)
	<hr/>
Total property and equipment, net	<u>\$ 396,872</u>

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

5. PROPERTY AND EQUIPMENT (continued)

The land, building and improvements consist of one donated real property utilized as temporary housing for the Carrington House program (Note 3).

6. SUBSEQUENT EVENTS

The Foundation received notice that the program for properties donated to CHPDC would be discontinued after May 31, 2015. No new properties will be donated to CHPDC; however, the Foundation can sell the current portfolio of properties under the terms of the original agreement. At the end of 2015 there were six properties remaining as held for sale. All six properties were sold as of April 30, 2016.

SUPPLEMENTARY FINANCIAL INFORMATION

CARRINGTON CHARITABLE FOUNDATION AND SUBSIDIARIES
DETAILS OF MAJOR FUNDRAISING ACTIVITIES
For the Year Ended December 31, 2015

	Golf	Auction
	Tournament	Auction
REVENUES		
Sponsor and fundraising	\$ 923,125	\$ -
Auction proceeds	-	491,597
Donations	162,947	252,000
Total revenues	1,086,072	743,597
EXPENSES		
Facilities and catering	621,762	-
Merchandise and gifts	98,414	-
Supplies and promotional	35,133	-
Photography	19,367	-
Auction expenses	-	90,340
Total expenses	774,676	90,340
NET FUNDS RAISED BY MAJOR FUNDRAISING		
ACTIVITIES		
	\$ 311,396	\$ 653,257