



Certified Public Accountants
and Financial Advisors

**Carrington Charitable
Foundation**

Financial Statements
December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carrington Charitable Foundation

Report on Financial Statements

We have audited the accompanying financial statements of Carrington Charitable Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the Foundation as of December 31, 2013, 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 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 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.

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
August 13, 2014

CARRINGTON CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Assets

Cash and cash equivalents	\$ 737,545
Donations receivable	140,000
Prepaid expenses	5,609
Property and equipment, net	<u>362,712</u>

Total assets \$ 1,245,866

LIABILITIES AND NET ASSETS

Liabilities

Grant payable	\$ 100,000
Accrued expenses	<u>4,094</u>
Total liabilities	104,094

Net Assets

Unrestricted	659,872
Temporarily restricted	<u>481,900</u>
Total net assets	<u>1,141,772</u>

Total liabilities and net assets \$ 1,245,866

CARRINGTON CHARITABLE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Fundraising	\$ 688,891	\$ –	\$ 688,891
Contributed services	441,143	–	441,143
Auction proceeds	299,902	245,800	545,702
Contributions and donations	116,729	10,000	126,729
Other	12,801	–	12,801
Total revenues	<u>1,559,466</u>	<u>255,800</u>	<u>1,815,266</u>
EXPENSES			
Donations and grants	502,299	100,000	602,299
Fundraising activities	548,256	–	548,256
Allocated administrative	441,143	–	441,143
Other	60,309	–	60,309
Total expenses	<u>1,552,007</u>	<u>100,000</u>	<u>1,652,007</u>
EXCESS OF REVENUES OVER EXPENSES	<u>7,459</u>	<u>155,800</u>	<u>163,259</u>
CHANGE IN NET ASSETS	7,459	155,800	163,259
NET ASSETS AT BEGINNING OF YEAR	<u>652,413</u>	<u>326,100</u>	<u>978,513</u>
NET ASSETS AT END OF YEAR	<u>\$ 659,872</u>	<u>\$ 481,900</u>	<u>\$ 1,141,772</u>

CARRINGTON CHARITABLE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 163,259
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	2,318
Contributed personal property	(10,000)
Change in operating assets and liabilities:	
Donations receivable	(127,710)
Grant payable	100,000
Accounts payable and accrued expenses	(74,664)
Property improvements on contributed real property	(19,657)
Prepaid expenses	(5,609)
Net cash provided by operating activities	<u>27,937</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(9,273)</u>
Net cash used in investing activities	(9,273)

NET INCREASE IN CASH 18,664

CASH – beginning of period 718,881

CASH – end of period \$ 737,545

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

Contributed services	<u>\$ 441,143</u>
Contributed personal property	<u>\$ 10,000</u>

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

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

Basis of Presentation

In order to accommodate the various alternatives for donors’ distribution objectives, the Foundation’s records are maintained for internal purposes in accordance with the principles of fund accounting. The Foundation reports gifts of each and other assets as restricted support if they are received with donor stipulations that limit the use of the donated 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. The Foundation follows authoritative guidance for financial statements 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.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

A summary of the net asset categories included in the accompanying 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, 2013, \$481,900 of the Foundation’s assets were temporarily restricted, of which \$326,100 is restricted for four years through the end of 2017. As of December 31, 2013, there were no assets permanently restricted.

Use of Estimates

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

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, 2013. The estimated fair market value of cash is equal to its carrying amounts as of December 31, 2013.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013, donations receivable were \$140,000. There were no unconditional promises to give expected to be collected in the future greater than one year.

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, 2013, grants payable were \$100,000. There were no unconditional promises to give expected to be paid in the future greater than one year.

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.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Derecognition 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, 2013.

Subsequent Events

In 2014, the Foundation established a relationship with a financial institution in which certain selected properties are donated to the Foundation for their subsequent sale. The proceeds of the sales will go towards building permanent housing for wounded military veterans that will be customized to address the unique needs of each individual.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events (continued)

The Foundation has evaluated subsequent events through August 13, 2014, the date this financial statement was 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.

Recent Accounting Standards

In March 2013, the Emerging Issues Task Force reached a consensus relating to Financial Accounting Standards Board Accounting Standards Codification Topic 958 (Not-for-Profit Entities) ("ASC 958") surrounding the recognition of services received by the not-for-profit entity. The consensus modifies the existing rules which require that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services only should be recognized if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. The consensus reached in March 2013 requires that all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity to be recognized. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendment to ASC 958 is effective prospectively for fiscal years beginning after June 15, 2014 with early adoption permitted. The Foundation is currently evaluating the impact of the adoption of this amendment on its financial position and results of operations.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

3. DESCRIPTION OF PROGRAM SERVICES AND MAJOR ACTIVITIES

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

Veterans Airlift Command

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.

Carrington House

Carrington House is one donated real estate owned property which was converted into temporary housing for seriously injured military personnel undergoing rehabilitation at medical facilities and their families.

Other Donations and Grants

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

4. RELATED PARTY TRANSACTIONS

As discussed in Note 2, 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 statements of activities and changes in net assets. During the year ended December 31, 2013, the Foundation recorded donated services of \$441,143 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, 2013, the Foundation received \$100,000 from the Carrington family of companies.

CARRINGTON CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

5. PROPERTY AND EQUIPMENT

Contributed real property consists of land, building and improvements donated to the Foundation for the purpose of providing temporary housing for seriously injured military personnel undergoing rehabilitation at medical facilities and their families. Contributed real property is recorded at fair value at the time of donation and is restricted through 2017. Property and equipment consists of the following at December 31, 2013:

Land	\$ 200,000
Building and improvements	155,757
Software	<u>9,273</u>
	365,030
Less accumulated depreciation and amortization	<u>(2,318)</u>
Total property and equipment, net	<u><u>\$ 362,712</u></u>

SUPPLEMENTARY FINANCIAL INFORMATION

CARRINGTON CHARITABLE FOUNDATION
DETAILS OF MAJOR FUNDRAISING ACTIVITIES
For the Year Ended December 31, 2013

	Golf	
	Tournament	Auction
REVENUES		
Sponsor and fundraising	\$ 511,395	\$ -
Auction proceeds	-	299,902
Donations	177,496	245,800
Total revenues	<u>688,891</u>	<u>545,702</u>
EXPENSES		
Facilities and catering	399,269	-
Merchandise and gifts	92,447	-
Supplies and promotional	23,655	-
Photography	15,132	-
Auction expenses	-	17,753
Total expenses	<u>530,503</u>	<u>17,753</u>
NET FUNDS RAISED BY MAJOR FUNDRAISING ACTIVITIES	<u>\$ 158,388</u>	<u>\$ 527,949</u>