

THREE SQUARE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

The logo for HRC (Harcourt Renaissance Capital) is located in the bottom right corner. It consists of the letters "HRC" in a white, sans-serif font, centered within a dark blue square. The square has a white border and is set against a background of green curved shapes.

HRC

THREE SQUARE
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Dear Friends,

As I reflect on my first year as President and CEO of Three Square, I am grateful for our community's unwavering commitment to our mission. I invite you to explore our audited financials for the 2023-2024 fiscal year, which highlight the stability, determination, and strength of our organization. While our financials tell an important story, they do not fully capture the incredible impact made this past year. I am thrilled to share that Three Square exceeded its food distribution goal, achieving multiple benchmarks worth celebrating:

- More than 328,000 people served
- 49 million pounds, the equivalent of 40 million meals, distributed
 - More than 14 million pounds of quality food rescued from retail food partners and diverted from the waste stream
- 400,000 meals and 2.4 million federal dollars brought into the local economy through Supplemental Nutrition Assistance Program (SNAP) Outreach and Assistance
- 95 cents of every dollar donated to Three Square was allocated to food programs
- More than 50,000 hours donated by generous volunteers, which is the equivalent of 25 full-time employees

Through numerous conversations with decision-makers, donors, agency partners, and families facing food insecurity, I have felt the tenacity of our city. While it remains strong, we continue to witness an upward trend in food insecurity. According to Feeding America, one in seven Southern Nevadans faces food insecurity – that's more than 341,000 people in our community, which includes more than 115,000 children.

The food bank is committed to evolving its work through new partnerships and initiatives to serve our community with dignity and respect. By engaging actively with local stakeholders and organizations, we aim to connect those unconnected to resources, ensuring no one in our community is hungry.

As we look ahead, the challenges of food insecurity remain, but so does our resolve to make a difference. Together, with your continued support and partnership, we can forge a path towards a hunger-free community. Thank you for being an integral part of our journey. We are excited about what we can achieve together in the coming year and beyond.

With gratitude,

Beth Martino
President & CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Three Square and Subsidiary
4190 N Pecos Rd.
Las Vegas, Nevada 89115

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements (financial statements) of Three Square and Subsidiary (both nonprofit organizations) (collectively, Three Square) which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Three Square and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 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.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Three Square's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Three Square's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Three Square's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 and the New Markets Tax Credit Portion of Business Reporting (Note 13) 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* (Uniform Guidance) and Title 45 U.S. *Code of Federal Regulations* Part 75, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS 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 5, 2024 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 solely 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 the effectiveness of Three Square's 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 5, 2024

THREE SQUARE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,254,699	\$ 5,471,104
Investments	49,273,101	45,221,386
Investments, restricted	5,861,425	3,673,259
Accounts and other receivables, net of allowance for credit losses	64,154	96,310
Pledges receivable	349,222	599,935
Grants receivable	927,512	734,438
Inventory	4,175,665	4,041,828
Prepaid expenses and deposits	446,491	546,174
	64,352,269	60,384,434
OTHER ASSETS		
Investments, restricted	74,000,000	72,733,451
Property and equipment, net	20,047,551	21,217,399
Property and equipment, net, restricted	1,660,465	1,855,814
	\$ 160,060,285	\$ 156,191,098
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,034,468	\$ 957,275
Accrued expenses and other current liabilities	658,096	541,581
Finance lease payable, current portion	466,842	398,316
	2,159,406	1,897,172
LONG-TERM LIABILITIES		
Finance lease payable, net of current portion	832,575	1,104,644
Long-term debt	6,511,278	6,317,121
	9,503,259	9,318,937
NET ASSETS		
Without donor restrictions	68,685,915	67,985,707
With donor restrictions	81,871,111	78,886,454
	150,557,026	146,872,161
	\$ 160,060,285	\$ 156,191,098

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
Revenue, gains and other support:			
In-kind contributions	\$ 72,439,061	\$ -	\$ 72,439,061
Donations and contributions	12,924,416	344,554	13,268,970
Government grants	7,420,836	-	7,420,836
Program fees	576,951	-	576,951
Investment return, net	8,576,676	3,364,886	11,941,562
Other income	2,213	-	2,213
	<u>101,940,153</u>	<u>3,709,440</u>	<u>105,649,593</u>
Net assets released from restrictions	<u>724,783</u>	<u>(724,783)</u>	<u>-</u>
	102,664,936	2,984,657	105,649,593
Expenses and losses:			
Food program	96,767,725	-	96,767,725
Management and general	1,831,816	-	1,831,816
Fundraising	3,312,422	-	3,312,422
	<u>101,911,963</u>	<u>-</u>	<u>101,911,963</u>
Loss on disposal of assets	5,047	-	5,047
Credit loss expense	47,718	-	47,718
	<u>101,964,728</u>	<u>-</u>	<u>101,964,728</u>
INCREASE IN NET ASSETS	<u>700,208</u>	<u>2,984,657</u>	<u>3,684,865</u>
NET ASSETS, BEGINNING OF YEAR	<u>67,985,707</u>	<u>78,886,454</u>	<u>146,872,161</u>
NET ASSETS, END OF YEAR	<u>\$ 68,685,915</u>	<u>\$ 81,871,111</u>	<u>\$ 150,557,026</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
Revenue, gains and other support:			
In-kind contributions	\$ 63,767,701	\$ -	\$ 63,767,701
Donations and contributions	12,615,949	292,205	12,908,154
Government grants	4,532,308	-	4,532,308
Program fees	809,273	-	809,273
Investment return, net	7,849,687	1,603,154	9,452,841
Other income	7,107	-	7,107
	<u>89,582,025</u>	<u>1,895,359</u>	<u>91,477,384</u>
Net assets released from restrictions	<u>456,661</u>	<u>(456,661)</u>	<u>-</u>
	90,038,686	1,438,698	91,477,384
Expenses and losses:			
Food program	86,381,471	-	86,381,471
Management and general	1,769,431	-	1,769,431
Fundraising	2,979,564	-	2,979,564
	<u>91,130,466</u>	<u>-</u>	<u>91,130,466</u>
Loss on disposal of assets	12,201	-	12,201
Credit loss expense	32,528	-	32,528
	<u>91,175,195</u>	<u>-</u>	<u>91,175,195</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(1,136,509)</u>	<u>1,438,698</u>	<u>302,189</u>
NET ASSETS, BEGINNING OF YEAR	<u>69,122,216</u>	<u>77,447,756</u>	<u>146,569,972</u>
NET ASSETS, END OF YEAR	<u>\$ 67,985,707</u>	<u>\$ 78,886,454</u>	<u>\$ 146,872,161</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 83,676,681	\$ -	\$ -	\$ 83,676,681
Salaries, taxes and benefits	6,680,627	950,905	1,583,945	9,215,477
Depreciation and amortization	1,492,437	43,422	87,827	1,623,686
Grants	1,568,177	-	-	1,568,177
Professional fees	392,283	460,189	169,502	1,021,974
Vehicle expenses	1,028,213	1,987	3,391	1,033,591
Occupancy	556,543	24,387	32,211	613,141
Rent and rental expense	27,257	1,853	194,760	223,870
Printing	74,845	453	416,966	492,264
Advertising	50,283	630	428,965	479,878
Insurance	268,996	3,553	7,255	279,804
Office	128,730	7,930	183,553	320,213
Program materials	183,751	-	1,000	184,751
Repairs and maintenance	287,493	3,947	8,020	299,460
Supplies	21,851	2,006	23,020	46,877
Interest	134,489	270,678	-	405,167
Travel	16,589	3,606	4,504	24,699
Computer support	134,587	6,263	49,111	189,961
Dues and subscriptions	22,038	27,027	2,527	51,592
Bank service charges	-	4,756	96,487	101,243
Meals	14,478	17,040	16,811	48,329
Conferences	7,377	1,184	2,567	11,128
	<u>\$ 96,767,725</u>	<u>\$ 1,831,816</u>	<u>\$ 3,312,422</u>	<u>\$ 101,911,963</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 72,942,330	\$ -	\$ -	\$ 72,942,330
Salaries, taxes and benefits	6,404,047	992,512	1,472,645	8,869,204
Depreciation and amortization	1,460,942	35,805	67,833	1,564,580
Grants	2,598,640	-	-	2,598,640
Professional fees	285,766	367,193	161,100	814,059
Vehicle expenses	869,063	-	1,824	870,887
Occupancy	556,188	23,369	31,497	611,054
Rent and rental expense	40,944	3,073	181,134	225,151
Printing	122,378	1,353	360,353	484,084
Advertising	45,589	-	313,425	359,014
Insurance	234,592	3,335	6,399	244,326
Office	83,001	12,294	171,883	267,178
Program materials	188,898	-	-	188,898
Repairs and maintenance	167,222	3,213	5,696	176,131
Supplies	29,402	1,105	14,919	45,426
Interest	137,702	278,618	-	416,320
Travel	94,713	4,070	568	99,351
Computer support	87,844	4,880	49,499	142,223
Dues and subscriptions	14,832	21,525	1,355	37,712
Bank service charges	-	2,866	112,983	115,849
Meals	12,943	13,035	26,451	52,429
Conferences	4,435	1,185	-	5,620
	<u>\$ 86,381,471</u>	<u>\$ 1,769,431</u>	<u>\$ 2,979,564</u>	<u>\$ 91,130,466</u>

See notes to the consolidated financial statements

**THREE SQUARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,684,865	\$ 302,189
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	1,623,686	1,564,580
Amortization of debt issuance costs	194,157	194,157
Donated securities	(19,708)	(39,167)
Donated food received	(72,144,636)	(63,416,772)
Donated food distributed	71,934,023	62,000,617
Donated fixed assets	(5,000)	-
Change in allowance for doubtful accounts	(38,414)	30,608
Realized and unrealized gain on investments	(8,849,530)	(6,752,806)
Loss on disposal of assets	5,047	12,201
Changes in operating assets and liabilities:		
Accounts and other receivable	70,570	21,645
Grants receivable	(193,074)	105,791
Pledges receivable	250,713	13,521
Prepaid expenses	99,581	(122,239)
Inventory	76,776	331,294
Accounts payable	77,193	(435,126)
Accrued expenses and other	176,005	44,086
Net cash (used in) provided by operating activities	<u>(3,057,746)</u>	<u>(6,145,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(111,556)	(153,075)
Sales of property and equipment	8,000	258
Sales of investments	53,736,637	39,849,746
Purchases of investments	(52,373,830)	(31,484,013)
Net cash provided by (used in) investing activities	<u>1,259,251</u>	<u>8,212,916</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of finance lease obligations	(417,910)	(335,390)
Net cash used in financing activities	<u>(417,910)</u>	<u>(335,390)</u>
INCREASE (DECREASE) IN CASH	(2,216,405)	1,732,105
CASH, BEGINNING OF YEAR	5,471,104	3,738,999
CASH, END OF YEAR	<u>\$ 3,254,699</u>	<u>\$ 5,471,104</u>
SUPPLEMENTAL DISCLOSURES		
Capital assets acquired through finance leases	\$ 214,367	\$ 493,181
Cash paid for interest	\$ 211,010	\$ 213,840

See notes to the consolidated financial statements

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Three Square 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 and provide other services for the purpose of ending hunger in Southern Nevada. We are supported through donor contributions, grants from donors and organizations, and minimal fees charged for some food items distributed. Accordingly, future operations may be affected by adverse changes in local economic conditions in Southern Nevada.

Three Square Plan Giving (“TSPG”) is a non-profit entity organized under the laws of the State of Nevada, with the mission to solicit estate gifts on behalf of Three Square. The results of TSPG have been consolidated with Three Square, and all intercompany transactions have been eliminated. References to “we” or the “organization” refer to the consolidated entity of Three Square and Three Square Plan Giving.

Basis of Accounting

The accompanying consolidated 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 consolidated 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.

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. 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 THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The credit risk inherent in these receivables is low, as agencies are unable to order additional product if accounts go past due. To determine credit losses, receivables with similar risk characteristics are pooled together and evaluated based on historical credit losses. The allowance for credit losses was \$95,346 and \$56,932 as of June 30, 2024 and 2023, 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 \$1.97 and \$1.93 as of June 30, 2024 and 2023, respectively. Government commodities are also recorded when received at an estimated fair value per pound, provided by Feeding America, of \$1.74 and \$1.57 as of June 30, 2024 and 2023, respectively.

	As of June 30,	
	2024	2023
Purchased inventory	\$ 1,323,586	\$ 1,400,362
Donated inventory	1,102,069	499,214
Government commodity inventory	1,750,010	2,142,252
Total inventory	\$ 4,175,665	\$ 4,041,828

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Leases

We determine if an arrangement contains a lease at inception. An arrangement contains a lease if there are identified assets and the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. Control over the use of the identified asset means the lessee has both the right to obtain substantially all of the economic benefit from the use of the asset and the right to direct the use of the asset.

For leases with terms greater than twelve months, the right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Lease terms include options to extend the lease when it is reasonably certain that such option will be exercised. For operating leases, lease expense is recognized on a straight-line basis over the expected lease term. For finance leases, the right-of-use asset depreciates on a straight-line basis over the shorter of the lease term or useful life of the right-of-use asset. The lease liability accretes interest based on the interest method using the discount rate determined at lease commencement. For leases that do not provide an implicit rate, we use a risk-free rate based on the information available at commencement date in determining the present value of the lease payments.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or without donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor 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 the organization.

We expense advertising costs as incurred. During the years ended June 30, 2024 and 2023, advertising costs totaled \$479,878 and \$359,014, respectively.

Recent Accounting Pronouncements

During the fiscal year ended June 30, 2024, we adopted *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model was replaced with a current expected credit loss (CECL) model for most receivables and various other financial instruments. Receivables assets are presented at the net amount expected to be collected through an allowance for credit losses. We identified pools of receivables and analyzed the historical collection over a 2 year period.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through November 5, 2024, which is the date the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted and restricted pledges. All pledges are expected to be received after one year, so no pledges have been discounted. All pledges were deemed fully collectible for the years ended June 30, 2024 and 2023.

	As of June 30,	
	2024	2023
Time restricted (no purpose restriction)	\$ 349,222	\$ 182,455
Childhood nutrition	-	417,480
Total pledges receivable	\$ 349,222	\$ 599,935
Receivable in less than one year	\$ 349,222	\$ 599,935

NOTE 3. 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, 2024 and 2023, 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, 2024 and 2023 are summarized as follows.

			June 30, 2024
	Level 1	Level 2	
Marketable securities	\$ 66,758,347	\$ -	\$ 66,758,347
Fixed income and preferred securities	40,749,857	-	40,749,857
Alternate investments	435,001	21,191,321	21,626,322
Total investments	\$107,943,205	\$ 21,191,321	\$129,134,526

			June 30, 2023
	Level 1	Level 2	
Marketable securities	\$ 63,621,615	\$ -	\$ 63,621,615
Fixed income and preferred securities	37,770,215	-	37,770,215
Alternate investments	331,844	19,904,422	20,236,266
Total investments	\$101,723,674	\$ 19,904,422	\$121,628,096

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	As of June 30,	
	2024	2023
Building and building improvements	\$ 25,985,373	\$ 25,978,500
Vehicles	412,168	506,389
Furniture and equipment	2,373,658	2,609,313
Land	1,959,953	1,959,953
Computer equipment and software	1,289,584	1,267,278
Website design	138,164	138,164
Construction-in-progress	49,585	-
Total property and equipment	32,208,485	32,459,597
Less: accumulated depreciation	(11,766,906)	(10,811,884)
Finance leases right-of-use assets, net	1,266,437	1,425,500
Total property and equipment, net	<u>\$ 21,708,016</u>	<u>\$ 23,073,213</u>

NOTE 5. LEASES

We lease real estate and various equipment under finance lease arrangements. The depreciation related to these right-of-use assets is included in depreciation expense. These right-of-use assets are as follows. These are included in Property and equipment on the Statement of Financial Position.

	As of June 30,	
	2024	2023
Vehicles	\$ 1,900,986	\$ 1,900,986
Furniture and equipment	577,933	363,566
Land ⁽¹⁾	252,431	252,431
	2,731,350	2,516,983
Less: accumulated depreciation	(1,464,913)	(1,091,483)
Finance leases right-of-use assets, net	<u>\$ 1,266,437</u>	<u>\$ 1,425,500</u>

- (1) In November 2018, we entered into an agreement to lease land adjacent to the main offices of Three Square to be used for a parking lot. The term of the land lease is ten years, with an option to extend for another ten years.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 5. LEASES (CONTINUED)

Total lease costs for the years ended June 30, 2024 and 2023 are as follows.

	2024	2023
Short-term lease costs	\$ 223,870	\$ 225,150
Finance lease costs:		
Interest expense	134,489	7,235
Amortization of right-of-use assets	373,430	43,680
	\$ 731,789	\$ 276,065

As of June 30, 2024, the weighted-average remaining lease term of finance leases was 42 months and the weighted-average discount rate was 9.71%. As of June 30, 2023, the weighted-average remaining lease term of finance leases was 49 months and the weighted-average discount rate was 4.21%.

Future minimum lease payments under these lease arrangements are as follows:

Fiscal year ending June 30,	
2025	\$ 576,851
2026	406,782
2027	242,220
2028	190,244
2029 and thereafter	107,784
	1,523,881
Less: amount representing interest	(224,464)
Less: current portion	(466,842)
Long-term capital lease obligations	\$ 832,575

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 6. LONG-TERM DEBT

Long-term debt consists of the following:

	As of June 30,	
	2024	2023
Term loan due January 10, 2050 ⁽¹⁾	\$ 3,034,900	\$ 3,034,900
Term loan 1 due July 22, 2055 ⁽²⁾	441,177	441,177
Term loan 2 due July 22, 2055 ⁽²⁾	912,028	912,028
Term loan 3 due July 22, 2055 ⁽²⁾	673,663	673,663
Term loan 4 due July 22, 2055 ⁽²⁾	673,662	673,662
Term loan 5 due July 22, 2055 ⁽²⁾	673,662	673,662
Term loan 6 due July 22, 2055 ⁽²⁾	673,662	673,662
Total long-term debt	7,082,754	7,082,754
Less: debt issuance costs	(571,476)	(765,633)
Less: current maturities of long-term debt	-	-
Total	\$ 6,511,278	\$ 6,317,121

- (2) On January 10, 2020, the organization entered into a NMTC financing transaction to partially fund the purchase and renovation of a new warehouse. As part of the transaction, this loan was made. Outstanding principal bears interest at a rate of 1.2371% and is due and payable quarterly. No principal payments are due or payable until March 1, 2027. The note is secured by a deed of trust on the warehouse property and requires Three Square, among other obligations, to maintain specified financial ratios. As of June 30, 2024 Three Square was in compliance with all required debt covenants. For further information regarding the NMTC financing transaction, see Note 12.
- (3) On July 22, 2020, the organization entered into a NMTC financing transaction to fund the portion of Three Square's business located at operations located at the Three Square Headquarters, specifically the childhood nutrition program, the food rescue program, and the agency delivery program. As part of this transaction, six loans were made by five lenders. For loans 1 and 2, outstanding principal bears interest at a rate of 1.0247% and is due and payable quarterly. For loans 3, 4, 5 and 6, outstanding principal bears interest at a rate of 1.0% and is due and payable quarterly. For all six loans, no principal payments are due or payable until March 1, 2027. All notes are secured by a deed of trust on the Three Square Headquarters building, and all notes require Three Square, among other obligations, to maintain specified financial ratios. As of June 30, 2024, Three Square was in compliance with all required debt covenants. For further information regarding the NMTC transaction, see Note 12.

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

Fiscal year ending June 30,	
2025-2026	\$ -
2027 and thereafter	7,082,754
Total minimum payments	\$ 7,082,754

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

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

	As of June 30,	
	2024	2023
Subject to expenditure for specific purpose:		
School pantries	\$ 1,289,104	\$ 1,436,428
Building maintenance	600,861	678,412
Transportation	184,800	2,651
Senior nutrition programs	148,116	168,418
Childhood nutrition programs	114,862	538,273
Food purchases	52,758	-
Healthcare partnerships	50,000	-
Food rescue	33,029	-
Employee training programs	2,000	732
Agency capacity enhancement	-	2,261
Total subject to expenditure for specific purpose	<u>2,475,530</u>	<u>2,827,175</u>
Subject to the passage of time:		
Building and land ⁽¹⁾	1,660,465	1,855,814
Pledges receivable, net	349,222	182,455
Total subject to the passage of time	<u>2,009,687</u>	<u>2,038,269</u>
Subject to endowment spending policy and appropriation, donor-restricted in perpetuity:		
Hilton endowment ⁽²⁾	2,915,247	2,670,815
Englestad endowment ⁽²⁾	11,437,586	10,616,745
Senior Hunger endowment	63,033,063	60,733,450
	<u>77,385,896</u>	<u>74,021,010</u>
Total nets assets with donor restrictions	<u>\$ 81,871,113</u>	<u>\$ 78,886,454</u>

(1) Clark County donated a building to Three Square on November 16, 2007, with a usage restriction that requires the building to be used 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.

(2) Earnings from these endowments are unrestricted.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 8. 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:

	As of June 30,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,254,699	\$ 5,471,104
Accounts and other receivables, net	64,154	96,310
Pledges receivable, net	349,222	599,935
Total financial assets	3,668,075	6,167,349
Liquidity resources		
Bank line of credit	15,000,000	15,000,000
Total financial assets and liquidity resources	\$ 18,668,075	\$ 21,167,349

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, 2024 or 2023. In addition, we have endowment funds, the earnings of which are available for general expenditure. See Note 9 for further details.

NOTE 9. ENDOWMENTS

Endowment funds include restricted donor funds, as detailed in Note 7, 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 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.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 9. ENDOWMENTS (CONTINUED)

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, 2024.

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, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 5,774,734	\$ -	\$ 5,774,734
Donor restricted endowment funds	-	77,386,196	77,386,196
Total endowment funds	\$ 5,774,734	\$ 77,386,196	\$ 83,160,930

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 9. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 4,761,583	\$74,021,010	\$78,782,593
Investment return, net	-	7,238,337	7,238,337
Transfer to operations	(2,860,000)	-	(2,860,000)
Appropriations	3,873,151	(3,873,151)	-
Endowment net assets, end of year	\$ 5,774,734	\$77,386,196	\$83,160,930

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 4,761,583	\$ -	\$ 4,761,583
Donor restricted endowment funds	-	74,021,010	74,021,010
Total endowment funds	\$ 4,761,583	\$ 74,021,010	\$ 78,782,593

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 3,961,583	\$72,512,950	\$76,474,533
Investment return, net	3,550,000	2,308,060	5,858,060
Transfer to operations	(3,550,000)	-	(3,550,000)
Appropriations	800,000	(800,000)	-
Endowment net assets, end of year	\$ 4,761,583	\$74,021,010	\$78,782,593

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 THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 10. CONCENTRATIONS

We have concentrated our credit risk by maintaining deposits at three financial institutions, 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 two investment brokers. The cash held is insured by the Securities Investor Protection Corporation (“SIPC”) insurance. SIPC insurance covers losses due to investment fraud.

For the years ended June 30, 2024 and 2023, nearly 100% of all in-kind contributions were contributions of food and approximately 36% and 29%, respectively, were contributed by one source. For the years ended June 30, 2024 and 2023, in-kind food donations represented 68% and 69%, respectively, of total revenues. Additionally, as of June 30, 2023, 70% of our outstanding pledge receivable balance was due from one source.

NOTE 11. COMMITMENTS

In November 2021, we entered into a liquidity access line of credit with our investment broker allowing Three Square to receive a non-purpose loan up to \$15 million, secured by our unrestricted investment holdings. This liquidity access line is payable upon demand at a variable interest rate based on the Secured Overnight Financing Rate plus a Variable Rate Adjustment or spread adjustment. No amount was drawn on the loan as of June 30, 2024.

Three Square maintains a qualified retirement plan under the provisions of Section 403(b) of the Internal Revenue Code of 1986, as amended, which covers all eligible employees. Participating employees defer a portion of their salary in a retirement fund, and Three Square makes a discretionary match contribution, where applicable, of 50% of employees’ elective salary deferrals, up to maximum of 6% of eligible employee compensation. The matching contributions for the years ended June 30, 2024 and 2023 were \$159,188 and \$183,846, respectively.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 12. NEW MARKETS TAX CREDIT TRANSACTIONS

On July 22, 2020, we entered into a NMTC financing transaction to partially fund operational activities at the Three Square headquarters, specifically the childhood nutrition programs, the food rescue program and the agency delivery program. These programs have been identified as a portion of business (“POB”) and are the only programs to utilize the funding received. See Note 13 for further discussion. As part of the financing transaction, the NMTC investors made loans totaling \$4,047,854 into the project, which are discussed in Note 6. We entered into put and call agreements to take place at the end of the seven-year period. Under the put and call agreements, the NMTC Investors can exercise a put option to sell all interest in the project to the organization for \$1,000. If the NMTC Investor does not exercise that put option, then the agreement allows for us to exercise a call option to purchase the interest in the project at fair market value.

On January 10, 2020, we entered into a NMTC financing transaction to partially fund the acquisition and renovation of a warehouse. The warehouse is to be used for our Senior Hunger programs, Federal commodities, and assistance with benefits such as the Supplemental Nutrition Assistance Program (“SNAP”), among other activities. These programs operating within the warehouse have been defined as a POB and are the only programs to utilize the funding received. See Note 13 for further discussion. As part of the financing transaction, the NMTC investor made loans totaling \$3,034,900 into the project, which are discussed in Note 6. We entered into a put and call agreement to take place at the end of the seven-year period. Under the put and call agreement, the NMTC Investor can exercise a put option to sell all interest in the project to the organization for \$1,000. If the NMTC Investor does not exercise that put option, then the agreement allows for us to exercise a call option to purchase the interest in the project at fair market value.

The NMTC program is designed to increase investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for investments. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2027 for both of our projects.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 13. NEW MARKETS TAX CREDIT PORTION OF BUSINESS REPORTING (UNAUDITED)

Per the loan agreements associated with the NMTC transactions, we are obligated to provide financial information for the portion of businesses funded by the NMTC transactions. The East Campus POB is defined as the portion of our business that developed and operates programs located at our East Campus warehouse, which programs include senior hunger programs, Federal food commodities, and benefits assistance, including SNAP assistance, among others. The Headquarters POB is defined as the portion of our business that operates the childhood nutrition programs, the food rescue program and the agency delivery program out of the Three Square Headquarters warehouse. The following financial statements are as of June 30, 2024.

STATEMENT OF FINANCIAL POSITION

	East Campus POB	Headquarters POB	Non-POB	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 3,254,699	\$ 3,254,699
Investments	-	-	129,134,526	129,134,526
Accounts and other receivables, net	-	957,914	382,974	1,340,888
Inventory	757,253	3,418,412	-	4,175,665
Prepaid expenses and deposits	-	446,491	-	446,491
Property and equipment, net	6,333,480	15,374,536	-	21,708,016
	<u>\$ 7,090,733</u>	<u>\$ 20,197,353</u>	<u>\$ 132,772,199</u>	<u>\$ 160,060,285</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 84,964	\$ 636,206	\$ 313,298	\$ 1,034,468
Accrued expenses and other	69,915	398,889	189,292	658,096
Capital lease payable	-	1,299,417	-	1,299,417
Long-term debt	-	-	6,511,278	6,511,278
	<u>154,879</u>	<u>2,334,512</u>	<u>7,013,868</u>	<u>9,503,259</u>
Net assets	<u>6,935,854</u>	<u>17,862,841</u>	<u>125,758,331</u>	<u>150,557,026</u>
	<u>\$ 7,090,733</u>	<u>\$ 20,197,353</u>	<u>\$ 132,772,199</u>	<u>\$ 160,060,285</u>

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023

NOTE 13. NEW MARKETS TAX CREDIT PORTION OF BUSINESS REPORTING (UNAUDITED)
(CONTINUED)

STATEMENT OF ACTIVITIES

	East Campus POB	Headquarters POB	Non-POB	Total
Revenue, gains and other support:				
In-kind contributions	\$ 17,500	\$ 72,373,474	\$ 48,087	\$ 72,439,061
Contributions and grants	625,402	14,853,208	5,211,196	20,689,806
Program fees	44,807	532,144	-	576,951
Investment return	5,585,775	-	6,355,787	11,941,562
Other income	-	2,018	195	2,213
	<u>6,273,484</u>	<u>87,760,844</u>	<u>11,615,265</u>	<u>105,649,593</u>
Expenses and losses:				
Inventory disbursed	4,239,953	79,436,728	-	83,676,681
Salaries, taxes and benefits	1,154,549	4,269,225	3,791,702	9,215,476
Other	1,953,694	4,328,189	2,790,688	9,072,571
	<u>7,348,196</u>	<u>88,034,142</u>	<u>6,582,390</u>	<u>101,964,728</u>
Increase (decrease) in net assets	<u>\$ (1,074,712)</u>	<u>\$ (273,298)</u>	<u>\$ 5,032,875</u>	<u>\$ 3,684,865</u>

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

To the Board of Directors
Three Square and Subsidiary
4190 N Pecos Rd.
Las Vegas, Nevada 89115

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 consolidated financial statements (financial statements) of Three Square and Subsidiary (both nonprofit organizations) (collectively, Three Square), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated 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 5, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 5, 2024

**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 and Subsidiary
4190 N Pecos Rd.
Las Vegas, Nevada 89115

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Three Square and Subsidiary’s (collectively, Three Square) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Three Square’s major federal program for the year ended June 30, 2024. Three Square’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Three Square complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Three Square and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Three Square’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Three Square’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Three Square’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally



accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Three Square's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Three Square's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Three Square's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Three Square's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance that may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 5, 2024

**THREE SQUARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Grantor and Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the Nevada Department of Agriculture:				
Child Nutrition Cluster				
Summer Food Service Program	10.559	TUFEHHFJ2P79	\$ 807,371	\$ -
Total Child Nutrition Cluster			807,371	-
Child and Adult Care Food Program	10.558	TUFEHHFJ2P79	1,062,480	-
Food Distribution Cluster				
The Emergency Food Assistance Program - Administrative Costs	10.568	TUFEHHFJ2P79	829,341	-
The Emergency Food Assistance Program - Food Commodities	10.569	TUFEHHFJ2P79	26,055,217	26,055,217
Total Food Distribution Cluster			26,884,558	26,055,217
The Emergency Food Assistance Program Commodity Credit Corporation Eligible Recipient Funds	10.187	TUFEHHFJ2P79	247,270	-
The Emergency Food Assistance Program Commodity Credit Corporation Eligible Recipient Funds	10.187	TUFEHHFJ2P79	112,519	-
Passed through the Nevada Department of Health and Human Services:				
SNAP Cluster				
Supplemental Nutrition Assistance Program - Outreach	10.561	OUT2211	365,998	-
Total SNAP Cluster			365,998	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			29,480,196	26,055,217
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Nevada Department of Health and Human Services:				
Low-Income Home Energy Assistance Program	93.568	21872	350	-
Passed through National Council on Aging:				
Medicare Enrollment Assistance Program	93.071	N/A	25,000	-
Passed through the Southern Nevada Health District				
COVID-19 Health Disparities	93.391	NH75OT000057	703,891	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			729,241	-
U.S. DEPARTMENT OF THE TREASURY				
Passed Through Clark County, Nevada:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	172,294	-
Passed Through the City of Las Vegas, Nevada:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	19,194	-
Passed Through the Nevada Department of Agriculture:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	58,010	-
Passed Through the City of North Las Vegas, Nevada:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	54,647	-
COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	364,083	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			668,228	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Clark County, Nevada				
Emergency Food and Shelter National Board Program	97.024	N/A	20,083	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			20,083	-
TOTAL FEDERAL EXPENDITURES			\$ 30,897,748	\$ 26,055,217

THREE SQUARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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, 2024. 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 not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**THREE SQUARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 instances of 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 \$926,932.
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, 2024**

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2023-001 Internal Control Systems Over Special Tests and Provisions (Accountability for USDA Foods)
– U.S. Department of Agriculture Food Distribution Cluster, Passed Through the State of
Nevada Department of Agriculture

Criteria: In accordance with 2 CFR 200.303(a), the auditee must maintain a system of internal controls to provide reasonable assurance that accurate and complete records are maintained with respect to the receipt, distribution, and inventory of USDA foods.

Condition: Three Square’s internal controls, as designed, require an individual to verify that the weight of each product recorded in the inventory system is accurate. During inventory observation and testing audit procedures, twelve items were sampled. Of the twelve items, a discrepancy was discovered in the weight of one product when compared to the weight of the product recorded in the inventory system.

Context: Of the twelve products selected for testing, the weight of one product was improperly recorded within Three Square’s inventory system.

Cause: Internal controls over accountability for USDA foods were not operating effectively.

Effect: Improper implementation of internal controls could result in improper tracking and reporting of costs of USDA foods.

Recommendation: We recommend that management ensure that the system of internal controls over accountability for USDA foods is followed as designed.

Views of Responsible Officials and Planned Corrective Actions: The weight of inventory is recorded within Three Square’s inventory management system as part of the receiving process. To ensure that all weight is properly recorded, Three Square will implement a verification process. Inventory control specialists, who are not part of the receiving process, will verify 10% of all items received weekly. This verification process will include independent weighing of items, and a review of the item description, quantity and dimensions recorded in the inventory management system. Any discrepancies will be reported to team leads to be rectified. Three Square is committed to ensuring that the system of internal controls is sufficient to ensure all records are accurate and complete.

Current Status: Corrective action has been implemented.