

WEST SEATTLE FOOD BANK

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2008 AND 2007

WEST SEATTLE FOOD BANK

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

March 12, 2009

Board of Directors  
West Seattle Food Bank  
Seattle, Washington

We have audited the accompanying statements of financial position of West Seattle Food Bank, a nonprofit corporation, as of June 30, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of West Seattle Food Bank. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Seattle Food Bank, as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Jacobson Jarvis & Co, PLLC

WEST SEATTLE FOOD BANK

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 96,690	\$ 134,738
Investments	370,550	190,968
Promises to give	100,000	229,929
Accounts receivable and other	16,292	30,280
Prepays and deposits	12,912	9,212
	<u>596,444</u>	<u>595,127</u>
Total Current Assets		
Property and Equipment, net	<u>2,974,487</u>	<u>2,990,732</u>
	<u>\$ 3,570,931</u>	<u>\$ 3,585,859</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 23,397	\$ 23,726
Note payable	-	387,701
	<u>23,397</u>	<u>411,427</u>
Total Current Liabilities		
Forgivable Debt	250,000	250,000
Long-term Contract Obligations	1,137,000	742,000
	<u>1,410,397</u>	<u>1,403,427</u>
Total Liabilities		
Net Assets		
Unrestricted	2,160,534	2,157,932
Temporarily restricted	-	24,500
	<u>2,160,534</u>	<u>2,182,432</u>
Total Net Assets		
	<u>\$ 3,570,931</u>	<u>\$ 3,585,859</u>

WEST SEATTLE FOOD BANK

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Contributions	\$ 290,127	\$ -	\$ 290,127	\$ 212,956	\$ 34,500	\$ 247,456
Capital campaign contributions	-	-	-	-	136,790	136,790
Government contracts and other grants	70,254		70,254	75,533		75,533
Food Resource Network Federation	17,826		17,826	16,850		16,850
Special events, net of direct donor benefit costs of \$9,403	66,228		66,228	-		-
Tenant and other revenue	9,805		9,805	2,331		2,331
Investment income	10,857		10,857	21,878		21,878
In-kind food donations	973,958	-	973,958	869,029	-	869,029
Total Public Support and Revenue	1,439,055	-	1,439,055	1,198,577	171,290	1,369,867
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	24,500	(24,500)	-	1,464,340	(1,464,340)	-
Total Public Support, Revenue, and Other Support	1,463,555	(24,500)	1,439,055	2,662,917	(1,293,050)	1,369,867
Expenses						
Program services	1,335,123		1,335,123	1,095,231		1,095,231
Management and general	48,870		48,870	45,080		45,080
Fundraising	76,960		76,960	45,949		45,949
Total Expenses	1,460,953		1,460,953	1,186,260		1,186,260
Change in Net Assets	2,602	(24,500)	(21,898)	1,476,657	(1,293,050)	183,607
Net Assets - beginning of year	2,157,932	24,500	2,182,432	681,275	1,317,550	1,998,825
Net Assets - end of year	\$ 2,160,534	\$ -	\$ 2,160,534	\$ 2,157,932	\$ 24,500	\$ 2,182,432

WEST SEATTLE FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2008 AND 2007

	2008				2007			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 99,413	\$ 13,690	\$ 37,600	\$ 150,703	\$ 81,337	\$ 12,001	\$ 16,260	\$ 109,598
Payroll taxes and benefits	23,269	2,467	5,551	31,287	19,527	2,309	2,634	24,470
Total Payroll Expenses	122,682	16,157	43,151	181,990	100,864	14,310	18,894	134,068
In-kind expense	971,819	2,139	-	973,958	868,164	865	-	869,029
Depreciation	84,024	1,391	1,721	87,136	12,616	236	265	13,117
Purchased food	73,967	-	-	73,967	45,181	-	-	45,181
Occupancy	40,442	476	476	41,394	35,251	109	109	35,469
Professional services	-	21,539	-	21,539	4,901	21,270	679	26,850
Bad debt expense	-	-	13,698	13,698	-	-	18,000	18,000
Printing and postage	1,808	938	10,544	13,290	1,371	402	5,196	6,969
Equipment rental and maintenance	9,695	132	2,931	12,758	5,226	54	13	5,293
Interest expense	9,290	149	150	9,589	4,587	74	74	4,735
Insurance	6,346	1,651	-	7,997	1,094	550	-	1,644
Volunteer and public relations	4,434	469	1,988	6,891	4,474	-	791	5,265
Miscellaneous	2,313	2,831	1,652	6,796	5,103	2,300	1,569	8,972
Supplies	4,952	998	649	6,599	3,753	322	359	4,434
Telephone	3,351	-	-	3,351	2,646	-	-	2,646
Loss on disposal of assets	-	-	-	-	-	4,588	-	4,588
Total Expenses	<u>\$1,335,123</u>	<u>\$ 48,870</u>	<u>\$ 76,960</u>	<u>\$1,460,953</u>	<u>\$1,095,231</u>	<u>\$ 45,080</u>	<u>\$ 45,949</u>	<u>\$1,186,260</u>

WEST SEATTLE FOOD BANK

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Donors	\$ 374,181	\$ 264,306
Government agencies	84,242	53,179
Tenants and other income	9,805	2,331
Interest	1,275	11,672
Cash paid for:		
Personnel	(93,789)	(108,492)
Services and supplies	(286,812)	(159,974)
Interest	(14,324)	-
Net Cash Provided by Operating Activities	<u>74,578</u>	<u>63,022</u>
<b>Cash Flows from Investing Activities</b>		
Cash received from fiscal agent	-	42,288
Purchase of property and equipment	(70,891)	-
Sale of investments	-	150,000
Purchase of investments	(170,000)	(150,000)
Net Cash (Used) Provided by Investing Activities	<u>(240,891)</u>	<u>42,288</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted to investment in property	116,231	-
Proceeds from long term contract obligation	395,000	-
Payments on notes payable	(382,966)	-
Net Cash Provided by Investing Activities	<u>128,265</u>	<u>-</u>
Changes in Cash and Cash Equivalents	(38,048)	105,310
Cash and Cash Equivalents - beginning of year	<u>134,738</u>	<u>29,428</u>
Cash and Cash Equivalents - end of year	<u>\$ 96,690</u>	<u>\$ 134,738</u>
<b>Supplemental Information:</b>		
Schedule of Non-Cash Investing and Financing Activities		
Property acquired through issuance of long-term obligations	<u>\$ -</u>	<u>\$ 1,374,966</u>

See notes to financial statements.

WEST SEATTLE FOOD BANK

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Reconciliation of Changes in Net Assets to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Change in net assets	\$ (21,898)	\$ 183,607
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	87,136	13,117
Loss on disposal of assets	-	4,588
Loss on investments	54	-
Reinvested dividends	(9,636)	(10,206)
Contributions restricted to investment in property and equipment	-	(136,790)
Bad debt expense	13,698	18,000
Decrease (increase) in accounts receivable	13,988	(22,354)
Increase in prepaids and deposits	(3,700)	(8,234)
(Decrease) increase in accounts payable	(329)	16,559
(Decrease) increase in accrued interest	<u>(4,735)</u>	<u>4,735</u>
Net Cash Provided by Operating Activities	<u>\$ 74,578</u>	<u>\$ 63,022</u>

## WEST SEATTLE FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

West Seattle Food Bank (the Food Bank), is a not-for-profit community service organization established to eliminate hunger in West Seattle. Organized in 1981, program services include securing and distributing quality, nutritional food to clients, educating clients regarding nutrition, increasing public awareness of hunger in the community, coordinating community services for clients, and assuring continuity of services to clients through a convenient accessible location. The Food Bank also has a home food delivery program to multifamily and residential homes.

##### Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Food Bank are classified as follows:

Unrestricted net assets are available without restriction for support of the Food Bank's operations.

Temporarily restricted net assets are restricted by the donors to be used for certain purposes or future periods. At June 30, 2008, WSFB had no temporarily restricted net assets. Net assets released from purpose restrictions during the year ended June 30, 2008 consisted of \$24,500 used for capital improvements. At June 30, 2007, temporarily restricted net assets of \$24,500 were to be used for capital improvements. Net assets released from purpose restrictions during the year ended June 30, 2007 consisted of \$1,454,340 used for capital improvements and \$10,000 for food purchases.

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. The Food Bank had no permanently restricted net assets as of June 30, 2008 and 2007.

##### Income taxes

The Internal Revenue Service has recognized West Seattle Food Bank as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

##### Cash and cash equivalents

Cash and cash equivalents consist of checking and savings accounts. These accounts may exceed federally insured limits at times during the year. The Food Bank has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

WEST SEATTLE FOOD BANK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at market value and include money market funds and certificates of deposit with maturities of less than one year. Investments consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 220,604	\$ 190,968
Certificates of deposit	<u>149,946</u>	<u>-</u>
	<u>\$ 370,550</u>	<u>\$ 190,968</u>

Accounts receivable

Accounts receivable are stated at net realizable values and consist primarily of grants administered by various local government agencies. Revenue from these grants is subject to audit which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2008 and 2007, no such adjustments were made.

Promises to give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are stated at net realizable value. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Food Bank had no conditional promises to give as of June 30, 2008.

Property and equipment

Property and equipment are stated at cost or, if donated, at market value at date of donation. Property and equipment with an original cost of \$1,000 or greater are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally 40 years for building, 5 to 15 years for furniture and equipment, and ten years for vehicles. The Food Bank uses the direct expensing method to account for planned major maintenance activities. Property and equipment consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Building - condominium unit	\$ 2,973,095	\$ 2,945,983
Furniture and equipment	65,131	57,916
Vehicles	<u>43,364</u>	<u>6,800</u>
	3,081,590	3,010,699
Less accumulated depreciation	<u>(107,103)</u>	<u>(19,967)</u>
	<u>\$ 2,974,487</u>	<u>\$ 2,990,732</u>

WEST SEATTLE FOOD BANK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated services

In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise which the Food Bank would otherwise need to purchase. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank. For the years ended June 30, 2008 and 2007 the Food Bank received 9,748 and 10,320 volunteer hours. Volunteers assisted in food collection, distribution, and home delivery. No amounts have been recognized in the financial statements for these volunteer hours because they do not meet the criteria for recognition.

Donated food and other goods

Food donations are received from local groceries, bakeries and food bank distributors. The Food Bank records food donations on an average value per pound basis, as determined by the State of Washington, Emergency Food Assistance Program (EFAP). The Food Bank estimated receipt of 648,510 and 577,107 pounds of food, valued at \$1.50 per pound, for the years ended June 30, 2008 and 2007, respectively. This method was applied consistently and the estimated fair value was not expected to be materially different from that determined using a more detailed measurement of the fair value. Two food bank distributors supplied approximately 47% and 50% of the total food received for the years ended June 30, 2008 and 2007, respectively.

WEST SEATTLE FOOD BANK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other contributed goods have been recorded on the basis of rates that otherwise would have been paid for similar items.

Functional allocation of expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activity and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the 2007 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2007.

NOTE B - NOTE PAYABLE

The note payable to Impact Capital accrued interest at 6% per annum to be paid at maturity. A loan origination fee of 1% (\$3,996) and accrued interest of \$4,735 were included in the note balance as of June 30, 2007. The note and accrued interest were paid in full in November 2007 with proceeds from additional State of Washington, Department of Community, Trade and Economic Development funds (see Note D).

NOTE C - FORGIVABLE DEBT

The non-interest bearing note payable to City of Seattle Human Services Department is secured by a deed of trust on the building. The note expires on September 30, 2022 and the debt will be forgiven, provided that no default has occurred. The Food Bank fully intends to comply with the terms of the note.

NOTE D - LONG-TERM CONTRACT OBLIGATIONS

As part of obtaining financing for the building, the Food Bank entered into long-term contracts with King County Community Services Division, Housing and Community Development, and the State of Washington, Department of Community, Trade and Economic Development. These contracts require repayment of the funding if the Food Bank does not provide certain services or use the property for its intended purposes for a period of ten years. The contracts expire in 2017. The Food Bank fully intends to comply with the terms of the contracts. Long-term Contract Obligations consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
State of Washington	\$ 887,000	\$ 492,000
King County	<u>250,000</u>	<u>250,000</u>
	<u>\$ 1,137,000</u>	<u>\$ 742,000</u>

## WEST SEATTLE FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

#### NOTE E - NEW FACILITY

In 2004, the West Seattle Community Resource Center (WSCRC), a Washington limited liability company, was formed to develop, own and operate the residential portion of a new mixed-use building that includes 34 low-income family housing units and 10,000 square feet of social service program space. In 2005, the Food Bank entered into a purchase sales agreement with Delridge Neighborhood Development Association (DNDA), the managing member of WSCRC, whereby the Food Bank released and reassigned its ownership of land it purchased in West Seattle in 2001 as consideration for the deposit to purchase the non-residential condominium unit of the building.

Construction on the building began in 2005 and was completed in April 2007, at which point the Food Bank purchased the condominium unit comprised of operating space for the Food Bank and office space to be leased to other social service agencies.

As a member of the West Seattle Community Resource Center Condominium Association (the Association), the Food Bank pays monthly assessments for common expenses, insurance, and other specially approved assessments such as reserves. In addition, the Food Bank may appoint two directors to serve on the Board of the Association. For the years ended June 30, 2008 and 2007, the Food Bank paid monthly assessments totaling \$24,505 and \$6,825, respectively, which are included in Occupancy expense.

The Food Bank collaborated with DNDA, who served as fiscal agent, to conduct a capital campaign to raise funds for the new building. The outstanding capital campaign pledges as of June 30, 2008 are included in promises to give.

#### NOTE F - RETIREMENT PLAN

The Food Bank offers a retirement savings plan (the plan) under section 401(k) of the Internal Revenue Code. Eligible employees may make elective deferrals under the plan up to the maximum allowed by law. The Food Bank also annually contributes 3% of eligible employees' compensation. Employer contributions to the plan totaled \$5,945 and \$2,417 for the years ended June 30, 2008 and 2007, respectively.

#### NOTE G - SUBSEQUENT EVENT

Subsequent to June 30, 2008, the Food Bank invested \$112,500 in mutual funds. During the same time, the stock market experienced a significant decline in value. As of January 30, 2009, the Dow Jones industrial average declined 30% since June 30, 2008 and the Nasdaq composite index declined 36%. It is estimated that the Food Bank's mutual funds declined 32% or approximately \$35,788. The Food Bank will continue to monitor its investments as it has done successfully in the past, but has no immediate plans to change its investment portfolio.