

**WEST SEATTLE FOOD BANK**  
**FINANCIAL STATEMENTS WITH**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2017 AND 2016**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
West Seattle Food Bank  
Seattle, Washington

We have audited the accompanying financial statements of West Seattle Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Seattle Food Bank as of June 30, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Jones &amp; Associates LLC, CPAs".

Jones & Associates, PLLC CPAs  
January 16, 2018

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**WEST SEATTLE FOOD BANK**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 203,014	\$ 202,968
Investments	725,501	742,654
Receivables and other	57,660	44,858
Prepays and deposits	13,350	14,942
Total current assets	999,525	1,005,422
 Property and equipment, net	 2,355,672	 2,341,487
	<b>\$ 3,355,197</b>	<b>\$ 3,346,909</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 17,143	\$ 27,803
Accrued payroll and other expenses	44,816	40,217
Contract obligations, current portion	395,000	742,000
Total current liabilities	456,959	810,020
 Forgivable debt	 250,000	 250,000
Long-term contract obligations	-	395,000
Total liabilities	706,959	1,455,020
 <b>NET ASSETS</b>		
Unrestricted	2,604,984	1,888,089
Temporarily restricted	43,254	3,800
	2,648,238	1,891,889
	<b>\$ 3,355,197</b>	<b>\$ 3,346,909</b>

**WEST SEATTLE FOOD BANK  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
In-kind food and other donations	\$ 2,274,930	\$ -	\$ 2,274,930
Contributions	673,410	35,181	708,591
Special events, net	136,019	8,300	144,319
Government contracts and grants	108,742	-	108,742
Tenant revenue	12,000	-	12,000
Investment return	59,238	-	59,238
	3,264,339	43,481	3,307,820
Net asset releases:			
Satisfaction of purpose requirements	4,027	(4,027)	-
Total operating support and revenue	3,268,366	39,454	3,307,820
<b>EXPENSES</b>			
Program services	3,087,977	-	3,087,977
Management and general	57,276	-	57,276
Fundraising	148,218	-	148,218
Total expenses	3,293,471	-	3,293,471
Change in net assets before nonoperating	(25,105)	39,454	14,349
<b>NONOPERATING ACTIVITIES</b>			
Loan forgiveness	742,000	-	742,000
CHANGE IN NET ASSETS	716,895	39,454	756,349
<b>NET ASSETS</b>			
Beginning of year	1,888,089	3,800	1,891,889
End of year	\$ 2,604,984	\$ 43,254	\$ 2,648,238

**WEST SEATTLE FOOD BANK  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
In-kind food and other donations	\$ 2,363,375	\$ -	\$ 2,363,375
Contributions	590,169	3,800	593,969
Special events, net	103,501	-	103,501
Government contracts and grants	86,526	-	86,526
Tenant revenue	12,000	-	12,000
Investment return	5,343	-	5,343
Total support and revenue	3,160,914	3,800	3,164,714
<b>EXPENSES</b>			
Program services	3,015,839	-	3,015,839
Management and general	56,331	-	56,331
Fundraising	121,801	-	121,801
Total expenses	3,193,971	-	3,193,971
CHANGE IN NET ASSETS	(33,057)	3,800	(29,257)
<b>NET ASSETS</b>			
Beginning of year	1,921,146	-	1,921,146
End of year	\$ 1,888,089	\$ 3,800	\$ 1,891,889

**WEST SEATTLE FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	Program Services	Support Services		Total
		Management and General	Fundraising	
In-kind food and other	\$ 2,274,930	\$ -	\$ -	\$ 2,274,930
Salaries and wages	228,906	20,154	77,834	326,894
Purchased food	308,522	-	-	308,522
Depreciation	89,358	1,212	1,213	91,783
Payroll taxes and benefits	63,962	4,903	14,516	83,381
Occupancy	46,642	346	347	47,335
Miscellaneous	3,346	5,343	22,788	31,477
Volunteer and public relations	15,102	388	12,782	28,272
Professional services	5,000	21,233	-	26,233
Equipment maintenance	23,220	104	56	23,380
Printing and postage	4,468	279	16,931	21,678
Supplies	15,900	790	1,472	18,162
Insurance	6,386	2,244	-	8,630
Telephone	2,235	280	279	2,794
	<u>\$ 3,087,977</u>	<u>\$ 57,276</u>	<u>\$ 148,218</u>	<u>\$ 3,293,471</u>

**WEST SEATTLE FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	Program Services	Support Services		Total
		Management and General	Fundraising	
In-kind food and other	\$ 2,363,375	\$ -	\$ -	\$ 2,363,375
Salaries and wages	200,756	20,223	68,063	289,042
Purchased food	230,707	-	-	230,707
Depreciation	80,626	1,189	1,189	83,004
Payroll taxes and benefits	56,082	4,745	11,610	72,437
Occupancy	39,990	322	322	40,634
Miscellaneous	2,088	4,461	14,487	21,036
Volunteer and public relations	11,366	762	11,497	23,625
Professional services	-	20,496	-	20,496
Equipment maintenance	12,300	42	89	12,431
Printing and postage	843	404	12,478	13,725
Supplies	10,882	1,198	1,821	13,901
Insurance	4,861	2,244	-	7,105
Telephone	1,963	245	245	2,453
	<u>\$ 3,015,839</u>	<u>\$ 56,331</u>	<u>\$ 121,801</u>	<u>\$ 3,193,971</u>

**WEST SEATTLE FOOD BANK  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, contracts and grants	\$ 948,850	\$ 756,874
Cash received from investment income and other	58,109	76,561
Cash paid to employees and suppliers	(931,227)	(731,946)
	75,732	101,489
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	100,000	-
Purchase of investments	(69,718)	(79,624)
Purchase of property and equipment	(105,968)	(6,050)
	(75,686)	(85,674)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	46	15,815
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	202,968	187,153
End of the year	\$ 203,014	\$ 202,968
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 756,349	\$ (29,257)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	91,783	83,004
Unrealized (gain) loss on investments	(13,129)	59,218
Contract obligations	(742,000)	-
Change in:		
Accounts receivable and other	(12,802)	(27,122)
Prepays and deposits	1,592	(5,830)
Accounts payable	(10,660)	11,148
Accrued payroll and other expenses	4,599	10,328
	\$ 75,732	\$ 101,489



**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – West Seattle Food Bank (the Organization) is a not-for-profit community service organization whose mission is to provide food security and community connections to its neighbors in need. The Organization’s program services include securing and distributing quality, nutritional food to low-income residents of this community; providing home delivery services for elderly or disabled individuals unable to come into the food bank; distributing weekend food to children at risk of hunger on weekends when they are not receiving meals at school; providing baby food, formula and other essential baby supplies for infants and young children; offering free books to encourage reading; and connecting the individuals we serve with other community services and resources. The Organization is supported primarily by in-kind donations and community support.

**Basis of Accounting and Presentation** – The financial statements of the Organization have been prepared on the accrual basis of accounting and 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 Organization had no permanently restricted net assets at June 30, 2017 and 2016.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

**Investments** – The Organization carries its investments at fair value in the statements of financial position. Investment return is included in the change in net assets in the accompanying statements of activities.

**Fair Value Measurements** – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1      Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2      Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3      Inputs that are not observable that reflect management’s assumptions and estimates.

Fair value measurements apply to the Organization’s equity securities, which are classified within level 1 of the fair value hierarchy.

**Receivables** – Receivables consist primarily of amounts due from governmental agencies and one pledge from another nonprofit organization. Pledges are recorded by the Organization when promised. All account balances are due in less than one year. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment** – Property and equipment is carried at cost if purchased, or at fair value if donated. Depreciation is computed using the straight-line method, currently over a period of three to forty years. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a value in excess of \$1,000. When an asset is disposed of, the cost and related accumulated depreciation of the asset is removed from the accounting records, and gain or loss is recognized.

**Revenue Recognition** – Contribution revenue is recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor restrictions. When a restriction expires, that is when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization’s policy to recognize restricted contributions in the unrestricted net asset class if the restriction has been met in the same year the contribution was received.

Revenues from government contracts and grants are recognized when the qualified expense is incurred and are subject to audit and retroactive adjustment made by the funding agencies.

**In-kind Food and Other Donations** – Donations of goods include food and other materials and are recorded as revenue at the estimated fair value at the date of donation. The Organization estimated receipt of 1,187,669 and 1,222,790 pounds of food valued at \$2,054,668 and \$2,115,427 for the years ended June 30, 2017 and 2016, respectively. The Organization records food donations on an average value per pound basis, as determined by the State of Washington Emergency Food Assistance Program and based on pricing lists published by the U.S. Department of Agriculture. The Organization also received donated baby items and books valued at \$220,262 and \$247,948 for the years ended June 30, 2017 and 2016, respectively.

**Donated Services** – Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers assisted in food collection, distribution and home delivery. No amounts have been recognized as contributions in the financial statements for these volunteer hours since the recognition criteria were not met.

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Income Tax Status** – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**Subsequent Events** – Subsequent events were evaluated through January 16, 2018, which is the date the financial statements were available to be issued.

**Note 2 – Investments**

Investments consist of the following at June 30:

	2017	2016
Money market funds	\$ 140,668	\$ 164,967
Certificates of deposit	100,050	100,328
Equity funds	484,783	477,359
	<u>\$ 725,501</u>	<u>\$ 742,654</u>

Investment return is as follows for the years ended June 30:

	2017	2016
Unrealized gain (loss)	\$ 13,129	\$ (59,218)
Interest and dividends	7,825	6,852
Realized gain	38,284	57,709
	<u>\$ 59,238</u>	<u>\$ 5,343</u>

**Note 3 – Property and Equipment**

Property and equipment consists of the following at June 30:

	2017	2016
Building - condominium unit	\$ 2,985,620	\$ 2,985,620
Furniture and equipment	128,669	68,610
Vehicles	87,735	41,826
	<u>3,202,024</u>	<u>3,096,056</u>
Less accumulated depreciation	(846,352)	(754,569)
	<u>\$ 2,355,672</u>	<u>\$ 2,341,487</u>

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**Note 4 – Forgivable Debt**

The non-interest bearing note payable of \$250,000 to City of Seattle Human Services Department is secured by a deed of trust on the building. The note expires on September 30, 2022, at which time the debt will be forgiven, provided that the Organization adheres to the terms of the note. The Organization fully intends to comply with the terms of the note.

**Note 5 – Long Term Contract Obligations**

As part of obtaining financing for the building, the Organization 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 are unsecured and require repayment of the funding if the Organization does not provide certain services or use the property for its intended purposes for a period of ten years. Two of the contracts expired in June 2017, and the forgiven loan was recorded as revenue at that time. The remaining contract expired in November 2017, subsequent to year end. The Organization fully complied with the terms of the contracts. Contract obligations consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
State of Washington	\$ 395,000	\$ 887,000
King County	-	250,000
Total contract obligations	<u>\$ 395,000</u>	<u>\$ 1,137,000</u>

The obligation amount for the final contract for the year ending June 30, 2018 is \$395,000.

**Note 6 – Special Events**

Special events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the events. The net revenue is as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Special events revenue	\$ 200,747	\$ 136,597
Less cost of direct donor benefit	(56,428)	(33,096)
	<u>\$ 144,319</u>	<u>\$ 103,501</u>

**WEST SEATTLE FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are composed of the following restrictions at June 30:

	2017	2016
Time restricted	\$ 30,000	\$ -
A Grand Affair 2017	8,300	-
Bookcase program	4,954	-
Backpack program	-	3,800
	<u>\$ 43,254</u>	<u>\$ 3,800</u>

**Note 8 – Related Party Transactions**

The Organization owns one condominium unit within the two-unit West Seattle Community Resource Center Condominium Association (the Association). The Organization's unit is comprised of 10,000 square feet of operating space for its food bank operations and office space, a portion of which is leased to other social service agencies. The second unit is comprised of 34 units of affordable housing and is owned and operated by an unrelated organization. Each owner may appoint two directors to serve on the Board of the Association.

As a member of the Association, the Organization pays monthly assessments for common expenses, insurance, and other specially approved assessments such as reserves. For the years ended June 30, 2017 and 2016, the Organization paid assessments of \$18,210 and \$17,620, respectively, which are included in occupancy expense in the accompanying statements of functional expenses.

The Organization is a member of the Food Resource Network Federation (FRNF). The FRNF collects workplace giving campaign donations and forwards them to the member organizations. The Executive Director of the Organization is one of six individuals who serve on the Board of Directors of FRNF. For the years ended June 30, 2017 and 2016, the Organization received \$15,571 and \$16,565, respectively, in donations from FRNF, which are included in contribution support in the accompanying statements of activities.

**Note 9 – Revenue Concentration**

For the years ended June 30, 2017 and 2016, in-kind food contributions from three suppliers comprised 44% and 48% of total support and revenue, respectively.