

**WEST SEATTLE FOOD BANK**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2018 AND 2017**



## 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, 2018 and 2017, 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, 2018 and 2017, 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.

*Jones & Associates PLLC, CPAs*

Jones & Associates PLLC, CPAs  
November 27, 2018

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**WEST SEATTLE FOOD BANK**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 295,191	\$ 203,014
Investments	714,976	725,501
Receivables and other	46,622	57,660
Prepays and deposits	14,566	13,350
Total current assets	1,071,355	999,525
 Property and equipment, net	 2,256,734	 2,355,672
	\$ 3,328,089	\$ 3,355,197
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 25,822	\$ 17,143
Accrued payroll and other expenses	58,914	44,816
Contract obligations, current portion	-	395,000
Total current liabilities	84,736	456,959
 Forgivable debt	 250,000	 250,000
Total liabilities	334,736	706,959
 <b>NET ASSETS</b>		
Unrestricted	2,974,953	2,604,984
Temporarily restricted	18,400	43,254
	2,993,353	2,648,238
	\$ 3,328,089	\$ 3,355,197

**WEST SEATTLE FOOD BANK  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
In-kind food and other donations	\$ 2,714,272	\$ -	\$ 2,714,272
Contributions	596,498	15,000	611,498
Special events, net	156,582	3,400	159,982
Government contracts and grants	229,197	-	229,197
Tenant revenue	9,750	-	9,750
Investment return	59,983	-	59,983
	<u>3,766,282</u>	<u>18,400</u>	<u>3,784,682</u>
Net asset releases:			
Satisfaction of purpose requirements	13,254	(13,254)	-
Satisfaction of time requirements	30,000	(30,000)	-
Total operating support and revenue	<u>3,809,536</u>	<u>(24,854)</u>	<u>3,784,682</u>
<b>EXPENSES</b>			
Program services	3,604,131	-	3,604,131
Management and general	69,186	-	69,186
Fundraising	161,250	-	161,250
Total expenses	<u>3,834,567</u>	<u>-</u>	<u>3,834,567</u>
Change in net assets before nonoperating	(25,031)	(24,854)	(49,885)
<b>NONOPERATING ACTIVITIES</b>			
Loan forgiveness	<u>395,000</u>	<u>-</u>	<u>395,000</u>
CHANGE IN NET ASSETS	369,969	(24,854)	345,115
<b>NET ASSETS</b>			
Beginning of year	<u>2,604,984</u>	<u>43,254</u>	<u>2,648,238</u>
End of year	<u>\$ 2,974,953</u>	<u>\$ 18,400</u>	<u>\$ 2,993,353</u>

**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 FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	Program Services	Support Services		Total
		Management and General	Fundraising	
In-kind food and other	\$ 2,714,272	\$ -	\$ -	\$ 2,714,272
Salaries and wages	270,800	23,277	86,990	381,067
Purchased food	303,092	-	-	303,092
Depreciation	96,279	1,330	1,329	98,938
Payroll taxes and benefits	69,335	5,129	15,229	89,693
Occupancy	50,169	337	337	50,843
Miscellaneous	6,435	6,796	25,162	38,393
Supplies	23,991	1,457	5,098	30,546
Volunteer and public relations	15,893	627	11,501	28,021
Professional services	696	26,159	100	26,955
Equipment maintenance	25,038	876	299	26,213
Printing and postage	3,395	659	14,914	18,968
Grants paid out	15,000	-	-	15,000
Insurance	7,404	2,247	-	9,651
Telephone	2,332	292	291	2,915
	<u>\$ 3,604,131</u>	<u>\$ 69,186</u>	<u>\$ 161,250</u>	<u>\$ 3,834,567</u>

**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
Supplies	15,900	790	1,472	18,162
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
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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, contracts and grants	\$ 1,011,715	\$ 948,850
Cash received from investment income and other	42,316	58,109
Cash paid to employees and suppliers	(999,796)	(931,227)
	54,235	75,732
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	100,000	100,000
Purchase of investments	(62,058)	(69,718)
Purchase of property and equipment	-	(105,968)
	37,942	(75,686)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	92,177	46
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	203,014	202,968
End of the year	\$ 295,191	\$ 203,014
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 345,115	\$ 756,349
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	98,938	91,783
Unrealized (gain) loss on investments	(27,417)	(13,129)
Contract obligations	(395,000)	(742,000)
Change in:		
Accounts receivable and other	11,038	(12,802)
Prepays and deposits	(1,216)	1,592
Accounts payable	8,679	(10,660)
Accrued payroll and other expenses	14,098	4,599
	\$ 54,235	\$ 75,732



**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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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, 2018 and 2017.

**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. At times, cash and cash equivalents may exceed federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

**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.

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**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.

**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 \$5,000. 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 1,520,780 and 1,187,669 pounds of food valued at \$2,539,703 and \$2,054,668 for the years ended June 30, 2018 and 2017, 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 \$174,569 and \$220,262 for the years ended June 30, 2018 and 2017, 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.

**WEST SEATTLE FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**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.

**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 November 27, 2018, which is the date the financial statements were available to be issued.

**Note 2 – Investments**

Investments consist of the following at June 30:

	2018	2017
Money market funds	\$ 73,031	\$ 140,668
Certificates of deposit	99,413	100,050
Equity funds	542,532	484,783
	<u>\$ 714,976</u>	<u>\$ 725,501</u>

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

	2018	2017
Unrealized gain (loss)	\$ 27,417	\$ 13,129
Interest and dividends	7,639	7,825
Realized gain	24,927	38,284
	<u>\$ 59,983</u>	<u>\$ 59,238</u>

**Note 3 – Property and Equipment**

Property and equipment consists of the following at June 30:

	2018	2017
Building - condominium unit	\$ 2,985,620	\$ 2,985,620
Furniture and equipment	123,253	128,669
Vehicles	87,735	87,735
	<u>3,196,608</u>	<u>3,202,024</u>
Less accumulated depreciation	(939,874)	(846,352)
	<u>\$ 2,256,734</u>	<u>\$ 2,355,672</u>

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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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 totaling \$742,000 expired in June 2017, and the forgiven loan was recorded as revenue at that time. The remaining contract expired in November 2017, and the forgiven loan was recorded as revenue at that time. The Organization fully complied with the terms of the contracts. Contract obligations consist of the following at June 30:

	2018	2017
State of Washington	\$ -	\$ 395,000
Total contract obligations	\$ -	\$ 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:

	2018	2017
Special events revenue	\$ 210,865	\$ 200,747
Less cost of direct donor benefit	(50,883)	(56,428)
	\$ 159,982	\$ 144,319

**WEST SEATTLE FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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**Note 7 – Temporarily Restricted Net Assets**

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

	2018	2017
Time restricted	\$ 15,000	\$ 30,000
A Grand Affair	3,400	8,300
Bookcase program	-	4,954
	<u>\$ 18,400</u>	<u>\$ 43,254</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, 2018 and 2017, the Organization paid assessments of \$18,188 and \$18,210, 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, 2018 and 2017, the Organization received \$15,080 and \$15,571, 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, 2018 and 2017, in-kind food contributions from one supplier comprised 42% and 28% of total support and revenue, respectively.