

WEST SEATTLE FOOD BANK

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 19, 2019

TEL 206.525.5170
1701 NE 104th Street
Seattle, WA 98125-7646
www.judyjonescpa.com

WEST SEATTLE FOOD BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 215,132	\$ 295,191
Investments	857,865	714,976
Receivables and other	68,399	46,622
Prepays and deposits	17,188	14,566
Total current assets	1,158,584	1,071,355
 Property and equipment, net	 2,157,796	 2,256,734
	\$ 3,316,380	\$ 3,328,089
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 23,401	\$ 25,822
Accrued payroll and other expenses	51,236	58,914
Total current liabilities	74,637	84,736
 Forgivable debt	 250,000	 250,000
Total liabilities	324,637	334,736
 NET ASSETS		
Without donor restrictions	2,938,288	2,974,953
With donor restrictions	53,455	18,400
	2,991,743	2,993,353
	\$ 3,316,380	\$ 3,328,089

**WEST SEATTLE FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With donor Restrictions	Total
SUPPORT AND REVENUE			
In-kind food and other donations	\$ 2,847,946	\$ -	\$ 2,847,946
Contributions	552,939	165,058	717,997
Special events, net	153,053	7,000	160,053
Government contracts and grants	236,551	-	236,551
Tenant revenue	12,545	-	12,545
Investment return	108,666	-	108,666
	<u>3,911,700</u>	<u>172,058</u>	<u>4,083,758</u>
Net asset releases:			
Satisfaction of purpose requirements	105,753	(105,753)	-
Satisfaction of time requirements	31,250	(31,250)	-
Total operating support and revenue	<u>4,048,703</u>	<u>35,055</u>	<u>4,083,758</u>
EXPENSES			
Program services	3,853,921	-	3,853,921
Management and general	80,672	-	80,672
Fundraising	150,775	-	150,775
Total expenses	<u>4,085,368</u>	<u>-</u>	<u>4,085,368</u>
 CHANGE IN NET ASSETS	 (36,665)	 35,055	 (1,610)
NET ASSETS			
Beginning of year	<u>2,974,953</u>	<u>18,400</u>	<u>2,993,353</u>
End of year	<u>\$ 2,938,288</u>	<u>\$ 53,455</u>	<u>\$ 2,991,743</u>

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

	Without Donor Restrictions	With donor Restrictions	Total
SUPPORT AND REVENUE			
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>
EXPENSES			
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)
NONOPERATING ACTIVITIES			
Loan forgiveness	<u>395,000</u>	<u>-</u>	<u>395,000</u>
CHANGE IN NET ASSETS	369,969	(24,854)	345,115
NET ASSETS			
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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Support Services		Total
		Management and General	Fundraising	
In-kind food and other	\$ 2,847,946	\$ -	\$ -	\$ 2,847,946
Salaries and wages	298,842	26,108	86,838	411,788
Purchased food	391,715	-	-	391,715
Depreciation	96,279	1,330	1,329	98,938
Payroll taxes and benefits	69,155	5,570	15,678	90,403
Occupancy	55,205	340	340	55,885
Miscellaneous	2,560	10,545	23,606	36,711
Professional services	2,049	31,366	-	33,415
Volunteer and public relations	18,828	1,006	7,685	27,519
Equipment maintenance	26,193	32	36	26,261
Supplies	19,582	1,624	1,231	22,437
Grants paid out	15,000	-	-	15,000
Printing and postage	936	209	13,746	14,891
Insurance	7,339	2,255	-	9,594
Telephone	2,292	287	286	2,865
	<u>3,853,921</u>	<u>80,672</u>	<u>150,775</u>	<u>4,085,368</u>
Special event costs	-	-	65,820	65,820
	<u>\$ 3,853,921</u>	<u>\$ 80,672</u>	<u>\$ 216,595</u>	<u>\$ 4,151,188</u>

**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
Professional services	696	26,159	100	26,955
Volunteer and public relations	15,893	627	11,501	28,021
Equipment maintenance	25,038	876	299	26,213
Supplies	23,991	1,457	5,098	30,546
Grants paid out	15,000	-	-	15,000
Printing and postage	3,395	659	14,914	18,968
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>
Special event costs	-	-	50,883	50,883
	<u>\$ 3,604,131</u>	<u>\$ 69,186</u>	<u>\$ 212,133</u>	<u>\$ 3,885,450</u>

**WEST SEATTLE FOOD BANK
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, contracts and grants	\$ 1,092,824	\$ 1,011,715
Cash received from investment income and other	50,235	42,316
Cash paid to employees and suppliers	(1,151,205)	(999,796)
	(8,146)	54,235
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	100,000
Purchase of investments	(71,913)	(62,058)
	(71,913)	37,942
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(80,059)	92,177
 CASH AND CASH EQUIVALENTS		
Beginning of the year	295,191	203,014
End of the year	\$ 215,132	\$ 295,191

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

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.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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 pledges from other nonprofit organizations. 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 – Revenue is recognized when earned. Government contracts and grants and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 1,628,441 and 1,520,780 pounds of food valued at \$2,719,483 and \$2,539,703 for the years ended June 30, 2019 and 2018, 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 \$128,463 and \$174,569 for the years ended June 30, 2019 and 2018, respectively.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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.

Functional Expense Allocation – The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. All expenses are allocated directly at the point of original data entry based on function and use. Expenses related to the building are functionally allocated based on the square footage each functional area occupies. Payroll related expenses are allocated based on employee time and effort spent in each functional area.

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).

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Organization has adopted the ASU for the year ended June 30, 2019, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events – Subsequent events were evaluated through November 19, 2019, which is the date the financial statements were available to be issued.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at June 30, 2019:

Cash and cash equivalents	\$ 215,132
Investments	857,865
Receivables	68,399
Financial assets available within one year	<u><u>\$ 1,141,396</u></u>

There is some seasonal variation of income during the year due to timing of major events and end of year donations, but there are also several regular monthly income sources. The Bookkeeper and Executive Director review liquidity on a regular basis and transfer money between accounts as needed to cover checking. The Organization has financial assets available for use on general expenditures in excess of our annual budgeted expenses for the fiscal year.

Note 3 – Investments

Investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equity funds	\$ 646,137	\$ 542,532
Money market funds	161,746	73,031
Certificates of deposit	49,982	99,413
	<u><u>\$ 857,865</u></u>	<u><u>\$ 714,976</u></u>

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building - condominium unit	\$ 2,985,620	\$ 2,985,620
Furniture and equipment	123,253	123,253
Vehicles	87,735	87,735
	<u>3,196,608</u>	<u>3,196,608</u>
Less accumulated depreciation	<u>(1,038,812)</u>	<u>(939,874)</u>
	<u><u>\$ 2,157,796</u></u>	<u><u>\$ 2,256,734</u></u>

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 5 – 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 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:

	2019	2018
Special events revenue	\$ 225,873	\$ 210,865
Less cost of direct donor benefit	(65,820)	(50,883)
	\$ 160,053	\$ 159,982

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at June 30:

	2019	2018
Time restricted	\$ 22,750	\$ 15,000
Backpack program	22,647	-
A Grand Affair	7,000	3,400
Pet Pantry	1,058	-
	\$ 53,455	\$ 18,400

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.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 8 – Related Party Transactions (continued)

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, 2019 and 2018, the Organization paid assessments of \$18,186 and \$18,188, 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, 2019 and 2018, the Organization received \$9,894 and \$15,080, 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, 2019 and 2018, in-kind food contributions from one supplier comprised 47% and 42% of total support and revenue, respectively.

Note 10 – Subsequent Event Merger

Subsequent to year ending June 30, 2019, the Organization is in discussions with another agency, West Seattle Helpline (WSH), regarding a potential merging of services into one organization. The agencies have been strong partners for many years and feel that the community can be better served with all services under one organization. WSH provides financial assistance for neighbors facing eviction or a utility shut off. They also run a donated clothes program and offer bus tickets to those in need. Both agencies are committed to ensuring that all services currently provided by each agency will continue uninterrupted during the transition to one organization.