

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2016

with independent auditor's report thereon

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**SIMPSON & COMPANY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

Board of Directors  
SnowCap Community Charities

We have audited the accompanying statements of SnowCap Community Charities, a nonprofit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 risk 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 statement.

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 SnowCap Community Charities as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon  
August 1, 2016

*Simpson & Company*

SnowCap Community Charities

STATEMENT OF FINANCIAL POSITION

June 30, 2016

with summarized financial information for June 30, 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 205,575	235,080
Certificates of deposit	379,145	319,339
Receivables	65	-
Prepays	724	1,301
Inventories	218,312	165,207
Leasehold interest, current	<u>76,007</u>	<u>76,007</u>
<b>Total current assets</b>	<b>879,828</b>	<b>796,934</b>
Beneficial interest in assets held		
by Community Foundation (note 6)	34,243	35,463
Property and equipment (note 2)	681,864	704,366
Leasehold interest, noncurrent (note 4)	<u>933,428</u>	<u>972,375</u>
<b>Total assets</b>	<b>\$ <u>2,529,363</u></b>	<b><u>2,509,138</u></b>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 5,040	3,979
Accrued vacation and payroll taxes	<u>15,663</u>	<u>13,508</u>
<b>Total current liabilities</b>	<b>20,703</b>	<b>17,487</b>
Net assets (note 5)		
Unrestricted		
Designated	736,646	760,431
Undesignated	<u>693,529</u>	<u>646,890</u>
<b>Total unrestricted</b>	<b>1,430,175</b>	<b>1,407,321</b>
Temporarily restricted	<u>1,078,485</u>	<u>1,084,330</u>
<b>Total net assets</b>	<b><u>2,508,660</u></b>	<b><u>2,491,651</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>2,529,363</u></b>	<b><u>2,509,138</u></b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF ACTIVITIES**

June 30, 2016

with summarized financial information for June 30, 2015

	<u>2016</u>	<u>2015</u>
<b>Unrestricted net assets</b>		
Revenue, gains and other support		
Church donations	\$ 40,819	56,476
Public donations	363,971	394,827
Bequests and memoriams	33,699	45,617
Corporate and foundation donations	124,515	121,706
Federal USDA & FEMA commodities	653,633	647,732
Donated materials and facilities	3,052,961	3,202,686
Donated professional services	615	7,635
Interest income	2,072	1,954
Special events and other	152,733	113,776
	4,425,018	4,592,409
Net assets released from donor restrictions	64,674	39,765
<b>Total revenues, gains and other support</b>	<b>4,489,692</b>	<b>4,632,174</b>
Expenses and losses		
Program services	4,174,662	4,403,367
Support services		
Management and general	146,005	135,297
Fund raising	144,771	132,237
<b>Total expenses and losses</b>	<b>4,465,439</b>	<b>4,670,901</b>
Increase (decrease) in unrestricted net assets	24,253	(38,727)
<b>Temporarily restricted net assets</b>		
Contributions	58,829	19,258
Net assets released from donor restrictions	(64,674)	(39,765)
Increase in temporarily restricted net assets	(5,845)	(20,507)
Change in beneficial interest in assets held by the community foundation	(1,399)	-
<b>Total increase (decrease) in net assets</b>	<b>17,009</b>	<b>(59,234)</b>
<b>Net assets at beginning of year</b>	<b>2,491,651</b>	<b>2,550,885</b>
<b>Net assets at end of year</b>	<b>\$ 2,508,660</b>	<b>2,491,651</b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF CASH FLOWS**

June 30, 2016

with summarized financial information for June 30, 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 17,009	(59,234)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	54,175	55,907
Utilization of (increase in) leasehold interest	38,947	37,498
Loss on disposition of assets	1,053	-
Unrealized loss on investments	1,399	-
(Increase) decrease in operating assets:		
Receivables	(65)	-
Prepays	577	(1,301)
Inventory	(53,105)	56,100
Increase (decrease) in operating liabilities:		
Accounts payable	1,061	(2,773)
Accrued liabilities	2,155	(123)
Net cash provided (used) by operating activities	<u>63,206</u>	<u>86,074</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and improvements	(32,727)	(121,510)
Purchase of investments	(191,618)	(73,554)
Proceeds from investment redemptions	131,634	65,072
Net cash used by investing activities	<u>(92,711)</u>	<u>(129,992)</u>
Net increase (decrease) in cash and cash equivalents	(29,505)	(30,254)
<b>Beginning cash and cash equivalents</b>	<u>235,080</u>	<u>265,334</u>
<b>Ending cash and cash equivalents</b>	<u>\$ 205,575</u>	<u>235,080</u>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2016

with summarized financial information for the year ended June 30, 2015

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2016</u>	<u>2015</u>
Compensation and related expenses:					
Salaries	\$ 180,518	90,259	51,577	322,354	295,402
Employee benefits	38,934	19,467	11,124	69,525	65,808
Payroll taxes	19,512	9,756	5,575	34,843	31,971
	238,964	119,482	68,276	426,722	393,181
Client assistance	85,863	-	-	85,863	57,196
Distribution of donated food and other materials	3,278,961	-	-	3,278,961	3,548,881
Agency transfers	277,413	-	-	277,413	255,358
Discards	57,086	-	-	57,086	60,802
Insurance	13,513	2,628	1,752	17,893	13,403
Maintenance and equipment	6,768	846	846	8,460	10,671
Merchant and bank fees	-	49	6,285	6,334	3,689
Occupancy	97,567	5,408	5,409	108,384	107,584
Professional fees and contract labor	29,411	10,893	4,094	44,398	64,734
Postage	8,999	1,044	3,710	13,753	13,224
Printing and media	7,125	237	2,138	9,500	10,624
Special events and mailers	-	-	40,693	40,693	37,620
Supplies and software	6,095	1,230	7,266	14,591	18,139
Training and conferences	2,038	521	369	2,928	3,410
Telephone	5,823	1,248	1,248	8,319	6,958
Transportation	5,539	305	322	6,166	5,183
Miscellaneous	2,850	343	607	3,800	4,337
	<b>4,124,015</b>	<b>144,234</b>	<b>143,015</b>	<b>4,411,264</b>	<b>4,614,994</b>
Depreciation	50,647	1,771	1,756	54,175	55,907
	<b>\$ 4,174,662</b>	<b>146,005</b>	<b>144,771</b>	<b>4,465,439</b>	<b>4,670,901</b>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(1) **Nature of operations and summary of significant accounting policies**

**Nature of operations:**

SnowCap Community Charities (SnowCap) is a philanthropic organization in East Multnomah County created to provide food, clothing, advocacy and other services to the poor. The corporation solicits a variety of in-kind gifts such as food, clothing, books, toys, and seeds from the community, and receives commodities from the United States Department of Agriculture (USDA). These gifts are used to plant gardens, teach classes, outfit children for school, but primarily to make up food boxes. SnowCap is a member of the Oregon Food Bank, East County Caring Community, Gresham Chamber of Commerce, East Portland Chamber of Commerce, and Ecumenical Ministries of Oregon.

SnowCap enjoys the support of approximately 1,000 dedicated volunteers, 10 paid staff and many local givers. During the year ended June 30, 2016, SnowCap served 168,802 East County individuals in need.

**Accounting policies:**

The organization keeps its books on the accrual method of accounting.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Donations of food (including USDA) and clothing during the year ended June 30, 2016 are recorded at their estimated fair market values of \$1.25 and \$3.75 per pound. Food and clothing inventory balances at June 30, 2016 are recorded at the same respective values. The food values are based on Oregon Food Bank studies, which is the source of the majority of SnowCap's food receipts.

A substantial number of volunteers have donated approximately 37,534 hours to the organization's program services and fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, primarily computer consulting, are recorded at their estimated fair market value.



SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(1) Nature of operations and summary of significant accounting policies  
(continued)

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The organization's cash balances are deposited in checking and money market accounts of several banks and are covered by federal insurance on bank accounts. Management believes the organization is not exposed to any significant credit risk on cash.

The certificates of deposit are recorded at cost, which approximates market value. The certificates bear interest ranging from 0.03 to 0.2 percent and have maturities ranging from six to sixty months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Cash restricted to purchase property and equipment has been restricted by donors and is not available for operating purposes.

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair market value at the time of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Temporarily restricted net assets are reclassified to unrestricted at that time. Depreciation is computed on the straight line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

All acquisitions of property and equipment, and all expenditures for repairs, maintenance, and betterments over \$1,000 that materially prolong the useful lives of assets are capitalized. Lesser amounts are expensed.

Vacation pay is charged to expense when earned.

Under the company's pension plan, SnowCap matches employee contributions up to five percent of the employee's gross salary. All employees are eligible to participate after six months of employment. During the year, contributions of \$13,461 were charged to current operations.

The costs of advertising the organization's programs are expensed as incurred.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(1) **Nature of operations and summary of significant accounting policies (continued)**

The costs of providing the various programs, fund-raising 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 fund-raising activities benefited.

The organization provides additional utility assistance in partnership with Heat Oregon. SnowCap provides the administrative screening of eligible families and Heat Oregon makes the assistance payments directly to the utility companies. During the year, \$36,556 of Heat Oregon funds were distributed for utility assistance.

The Organization achieves some of its programmatic and management and general goals in direct mail campaigns and newsletters that include requests for contributions. The costs of conducting those campaigns included a total of \$25,454 of joint costs that are not directly attributable to either the program or management and general components or the fund-raising component of the activities. Those joint costs were allocated as follows:

Program Services	\$	12,328
Fund-raising		13,126
Management and General		-
	\$	<u>25,454</u>

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 disclosure 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.

SnowCap Community Charities is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). SnowCap's form 990, Return of Organization Exempt from Income Tax returns for the year ending June 30, 2015, 2014 and 2013 are subject to examination by the IRS, generally 3 years after they were filed. SnowCap believes that it has support for any tax positions taken, and such, does not have any uncertain tax positions that are material to the financial statements

(2) **Property and equipment**

As of June 30, 2016, property and equipment consists of the following:

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(2) Property and equipment (continued)**

Equipment	\$	52,522
Leasehold improvements		28,686
Building		620,021
Building furnishings		48,496
Warehouse equipment		196,854
Vehicles		142,062
Greenhouse/garden improvements		16,373
Software		84,125
		1,189,139
Accumulated depreciation		(507,275)
	\$	681,864

**(3) Lease commitments**

In May 1996, the organization signed a lease agreement for a tract of land for a term of forty years with an annual payment of \$1. In February 2007, a second ground lease agreement for additional space was entered into, with an annual payment of \$1 for ten years. In January 2014, an addendum was signed for additional space used by the organization to extend the warehouse, and as a private park area. Also see note 4.

**(4) Leasehold interest**

As of June 30, 2016, the organization had the following leasehold rights: the use of a tract of land through April 2036 where the original building and warehouse were built on; a 6,000 square foot garden site through December 2017; and an additional tract of land used partly to extend the warehouse and the rest as a park area through 2036. The present value is based on current fair market rent of \$78,975 annually over their respective lease terms, using a 4.5% discount rate for the first 2 land leases, and 3.14% for the third. All three leases cover property adjacent to each other.

The total leasehold interest amounts are classified as follows:

Future leasehold rights	\$	1,009,435
Less current portion - twelve months		(76,007)
Leasehold interest - non-current	\$	933,428

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(4) Leasehold interest (continued)**

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>		
2017	\$	76,007
2018		73,154
2019		70,411
2020		65,234
2021		60,381
Thereafter		664,248
	\$	<u><u>1,009,435</u></u>

**(5) Net assets**

As of June 30, 2016, net assets consist of:

**Unrestricted**

Designated:

Invested in building and equipment	\$	681,864
Fundraising fund		20,539
Quasi-endowment fund (note 6)		34,243
Undesignated		<u>693,529</u>
<b>Total unrestricted</b>	\$	<u>1,430,175</u>

**Temporarily restricted**

Restricted for:

Endowment	4,041
Food Fund	51,110
Diaper Fund	7,176
Donated facilities available	1,009,436
Pet food fund	941
Miscellaneous	<u>5,781</u>
<b>Total temporarily restricted</b>	<u>1,078,485</u>
<b>Total net assets</b>	\$ <u><u>2,508,660</u></u>

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(6) **Beneficial interest in assets held by the community foundation**

The Board of Directors has established an account with the Oregon Community Foundation (OCF), designated as Quasi-Endowment funds. The organization has granted OCF variance power over these funds, which gives OCF's Board of Directors the power to use the funds for other purposes in certain circumstances. The beneficial interest in assets held at the OCF has been valued, as a practical expedient, at the fair value of the Organization's share of OCF's investment pool as of the measurement date. OCF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of OCF, which includes private placements and other securities for which prices are not readily available, are determined by the management of OCF and may not reflect amounts that could be realized upon immediate sale, not amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The following is a summary of assets held at fair value at June 30, 2016:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held at				
OCF	\$ 34,243	\$ -	\$ -	\$ 34,243
Total	\$ 34,243	\$ -	\$ -	\$ 34,243

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance at June 30, 2015	\$ 35,463
Share of appreciation of fund	(1,220)
Distributions received	-
Balance at June 30, 2016	\$ 34,243

7) **Subsequent events**

Management has evaluated subsequent events through August 1, 2016, the date that the financial statements were available to be issued.