

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2020

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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon
November 16, 2020

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Portland OR 97205

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SnowCap Community Charities
STATEMENT OF FINANCIAL POSITION

June 30, 2020

with summarized financial information for June 30, 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 702,885	205,394
Certificates of deposit	643,232	554,899
Receivables	-	341
Prepays	981	5,685
Inventories	214,562	206,319
Leasehold interest, current	<u>252,992</u>	<u>94,774</u>
Total current assets	1,814,652	1,067,412
Beneficial interest in assets held		
by Community Foundation (note 6)	44,425	44,656
Property and equipment (note 2)	712,179	618,098
Leasehold interest, noncurrent (note 4)	<u>4,776,101</u>	<u>1,028,890</u>
Total assets	\$ <u>7,347,357</u>	<u>2,759,056</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 26,814	11,659
Forgivable loans (note 7)	96,700	-
Deferred revenue	-	4,500
Accrued vacation and payroll taxes	<u>32,234</u>	<u>14,914</u>
Total current liabilities	155,748	31,074
Net assets (note 5)		
Without donor restrictions		
Designated	1,077,142	683,292
Undesignated	<u>847,353</u>	<u>827,888</u>
Total	1,924,495	1,511,180
With donor restrictions	<u>5,267,114</u>	<u>1,216,802</u>
Total net assets	<u>7,191,609</u>	<u>2,727,982</u>
Total liabilities and net assets	\$ <u>7,347,357</u>	<u>2,759,056</u>

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF ACTIVITIES

Year ended June 30, 2020

with summarized financial information for June 30, 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions		
Revenue, gains and other support		
Church donations	\$ 49,395	49,162
Public donations	694,837	336,134
Bequests and memoriams	37,444	31,593
Corporate and foundation donations	369,071	172,753
Donated USDA and other food commodities	2,429,649	2,314,576
Donated facilities use and leasehold pledges	264,937	68,332
Donated clothing and other in-kinds	1,030,994	1,129,692
Interest income	10,255	6,514
Special events and other	135,949	228,919
	<u>5,022,531</u>	<u>4,337,675</u>
Net assets released from donor restrictions	9,569	74,516
Total revenues, gains and other support	5,032,100	4,412,191
Expenses and losses		
Program services	4,308,942	4,073,712
Support services		
Management and general	153,150	162,390
Fund raising	156,462	162,538
Total expenses and losses	4,618,554	4,398,640
Increase (decrease) in net assets without donor restrictions	413,546	13,551
Net assets with donor restrictions		
Contributions	154,453	41,544
Leasehold pledges	3,905,428	-
Net assets released from donor restrictions	(9,569)	(74,516)
Increase (decrease) in net assets with donor restrictions	4,050,312	(32,972)
Change in beneficial interest in assets held by the community foundation	(231)	2,636
Total increase (decrease) in net assets	4,463,627	(16,785)
Net assets at beginning of year	2,727,982	2,744,767
Net assets at end of year	\$ 7,191,609	2,727,982

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF CASH FLOWS

Year ended June 30, 2020

with summarized financial information for June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,463,627	(16,785)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	71,824	72,206
Utilization of (increase in) leasehold interest	(3,905,429)	30,143
Realized and unrealized gain on investments	-	(2,688)
(Increase) decrease in operating assets:		
Receivables	341	(341)
Prepays	4,704	(3,014)
Inventory	(8,243)	11,596
Increase (decrease) in operating liabilities:		
Accounts payable	15,155	166
Deferred Revenue	96,700	4,500
Accrued liabilities	17,320	(1,291)
Net cash provided (used) by operating activities	<u>755,998</u>	<u>94,492</u>
Cash flows from investing activities:		
Purchase of equipment and improvements	(165,905)	(44,520)
Purchase of investments	(250,454)	(463,558)
Proceeds from investment redemptions	162,352	453,177
Net cash used by investing activities	<u>(254,007)</u>	<u>(54,901)</u>
Net increase (decrease) in cash and cash equivalents	501,991	39,591
Beginning cash and cash equivalents	<u>205,394</u>	<u>165,803</u>
Ending cash and cash equivalents	<u>\$ 707,385</u>	<u>205,394</u>

See accompanying notes to financial statements.

SnowCap Community Charities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

with summarized financial information for the year ended June 30, 2019

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2020</u>	<u>2019</u>
Compensation and related expenses:					
Salaries	\$ 259,608	83,543	60,323	403,474	369,914
Employee benefits	63,951	22,624	15,511	102,086	80,774
Payroll taxes	26,832	8,804	6,289	41,925	39,491
	<u>350,391</u>	<u>114,971</u>	<u>82,123</u>	<u>547,485</u>	<u>490,179</u>
Client assistance	75,253	-	-	75,253	56,423
Distribution of donated food and other materials	3,037,681	-	-	3,037,681	2,989,186
Agency transfers	401,304	-	-	401,304	451,995
Discards	13,415	-	-	13,415	14,684
Insurance	11,624	2,325	1,550	15,499	14,431
Maintenance and equipment	11,353	1,419	1,419	14,191	15,046
Merchant and bank fees	-	-	6,458	6,458	4,787
Occupancy	272,775	15,154	15,155	303,084	139,114
Professional fees and contract labor	26,383	10,065	3,198	39,646	40,021
Postage	8,187	804	3,265	12,256	9,007
Printing and media	7,421	1,325	1,149	9,895	10,472
Special events and mailers	-	-	28,489	28,489	49,166
Supplies and software	4,160	1,188	6,582	11,930	12,623
Training and conferences	2,923	662	662	4,247	5,097
Telephone	10,373	2,223	2,222	14,818	13,914
Transportation	5,484	305	305	6,094	5,986
Miscellaneous	3,206	327	1,452	4,985	4,303
	<u>4,241,933</u>	<u>150,768</u>	<u>154,029</u>	<u>4,546,730</u>	<u>4,326,434</u>
Depreciation	67,009	2,382	2,433	71,824	72,206
	<u>\$ 4,308,942</u>	<u>153,150</u>	<u>156,462</u>	<u>4,618,554</u>	<u>4,398,640</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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. Starting in the Spring of 2020, SnowCap has temporarily adjusted operations because of COVID-19. In order to allow social distancing, minimum volunteers and frequent sanitizing to focus on food assistance, operations have changed from a shopping style pantry with clothes closet to primarily food boxes. SnowCap is a founding member of the Oregon Food Bank, West Columbia Chamber of Commerce, Gresham Chamber of Commerce, East Portland Chamber of Commerce, and Ecumenical Ministries of Oregon.

SnowCap enjoys the support of approximately 1,000 dedicated volunteers, 9 paid staff and many local givers. During the year ended June 30, 2020, SnowCap served 115,927 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, 2020 are recorded at their estimated fair market values of \$1.25 and \$3.75 per pound. Food and clothing inventory balances at June 30, 2020 were recorded at the same respective values. The majority of the food are USDA products and purchases through the Oregon Food Bank, which are valued significantly less than the fair market value of retail food.

A substantial number of volunteers have donated approximately 31,027 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

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

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

not require specialized skills. Donated professional services, primarily computer consulting, are recorded at their estimated fair market value.

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 0.01 to 3.445 percent and have maturities ranging from three to thirty-six 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 annually contributes five percent of the employee's gross salary. All employees that are employed half time or more are eligible after six months of employment. During the year, contributions of \$20,080 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.

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 \$16,332 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	\$	12,248
Fund-raising		4,083
Management and General		-
	\$	<u>16,331</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, 2019, 2018 and 2017 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.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(2) Property and equipment

As of June 30, 2020, property and equipment consists of the following:

Equipment	\$	28,706
Leasehold improvements		43,841
Building		637,290
Building furnishings		52,926
Warehouse equipment		225,131
Vehicles		298,072
Greenhouse/garden improvements		16,373
Software		84,125
New Warehouse Prelim Costs		48,495
		1,434,959
Accumulated depreciation		(722,780)
	\$	712,179

(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 November 2017, a second ground lease agreement for the garden space expired and was then renewed, with an annual payment of \$50 for three 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. For a 40-year term beginning in July 2019, a new lease was signed for a separate tract of land with a base rent of \$1 annually, for a new multi-use building. Also see note 4.

The Organization has an operating lease for a copier and fifteen phones with a sixty-month term. Rental expense for this lease was \$7,935 for the year ended June 30, 2020. Future minimum lease payments under this lease include all service, training and periodic maintenance, and are as follows.

2021	\$	23,700
2022		23,700
2023		17,775
	\$	65,175

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(4) Leasehold interest

As of June 30, 2020, the organization had the following leasehold rights: 1) the use of a tract of land through April 2036 where the original building and warehouse were built on; 2) a 6,000 square foot garden site through December 2020; 3) an additional tract of land used partly to extend the original warehouse and the rest as a park area through 2036. 4) Beginning in July 2019, a separate tract of land to be used to build two multiuse buildings on in two phases through June 2059.

The land lease #4 above is the foundation of a capital campaign to relocate SnowCap's clothing program, add warehouse and community space and assure a long-term home for SnowCap.

The present value for the above is based on current fair market rent of \$264,935 annually over their respective lease terms, using a 4.5% discount rate for the first 2 land leases, 3.14% for the third, and 2.5% for the fourth. The first three leases cover property adjacent to each other, while the fourth is in a separate location.

The total leasehold interest amounts are classified as follows:

Future leasehold rights	\$ 5,029,093
Less current portion - twelve months	<u>(252,992)</u>
Leasehold interest - non-current	<u>\$ 4,776,101</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>	
2021	\$ 252,992
2022	241,653
2023	234,577
2024	227,722
2025	221,078
Thereafter	<u>3,851,071</u>
	<u>\$ 5,029,093</u>

(5) Net assets

As of June 30, 2020, net assets consist of:

Without donor restrictions

Designated:

Invested in building and equipment	\$ 712,179
Fundraising fund	20,538
Quasi-endowment fund (note 6)	44,425
New warehouse project	300,000
Undesignated	<u>847,353</u>
Total	<u>\$ 1,924,495</u>

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(5) Net assets (continued)

With donor restrictions

Restricted for:

Endowment	6,247
Food	67,939
Donated facilities available	5,029,093
Pet food fund	8,462
New warehouse project	70,469
Covid response	66,783
Miscellaneous	18,121
Total	<u>5,267,114</u>
Total net assets	<u>\$ 7,191,609</u>

(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, 2020:

Description	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held at				
OCF	\$ 44,425	\$ -	\$ -	\$ 44,425
Total	\$ 44,425	\$ -	\$ -	\$ 44,425

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

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

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, 2019	\$ 44,656
Share of appreciation of fund	(231)
Distributions received	-
Balance at June 30, 2020	\$ 44,425

(7) **Forgivable loans under the Paycheck Protection Program**

In response to the coronavirus (COVID 19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act, that among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May 2020, SnowCap obtained a PPP loan for \$96,700, which is included in the Current Liabilities section of the Statement of Financial Position. The loan matures in May 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. SnowCap believes it used all of the proceeds from the note for qualifying expenses and thus expects to receive approval of its application for the loan to be forgiven in the future, at which time the organization will recognize income on forgiveness of the loan.

(8) **Subsequent events**

Management has evaluated subsequent events through November 16, 2020, the date that the financial statements were available to be issued.