

**SnowCap Community Charities**

**FINANCIAL STATEMENTS**

**June 30, 2017**

**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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon  
August 14, 2017

SnowCap Community Charities

STATEMENT OF FINANCIAL POSITION

June 30, 2017

with summarized financial information for June 30, 2016

Assets

	<u>2017</u>	<u>2016</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 115,127	205,575
Certificates of deposit	495,704	379,145
Receivables	-	65
Prepays	995	724
Inventories	205,523	218,312
Leasehold interest, current	81,225	76,007
<b>Total current assets</b>	<b>898,574</b>	<b>879,828</b>
Beneficial interest in assets held		
by Community Foundation (note 6)	38,518	34,243
Property and equipment (note 2)	633,747	681,864
Leasehold interest, noncurrent (note 4)	995,423	933,428
<b>Total assets</b>	<b>\$ 2,566,262</b>	<b>2,529,363</b>

Liabilities and Net Assets

<b>Current liabilities</b>		
Accounts payable	\$ 12,371	5,040
Accrued vacation and payroll taxes	20,537	15,663
<b>Total current liabilities</b>	<b>32,908</b>	<b>20,703</b>
<b>Net assets (note 5)</b>		
Unrestricted		
Designated	692,804	736,646
Undesignated	703,013	693,529
<b>Total unrestricted</b>	<b>1,395,817</b>	<b>1,430,175</b>
Temporarily restricted	1,137,537	1,078,485
<b>Total net assets</b>	<b>2,533,354</b>	<b>2,508,660</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,566,262</b>	<b>2,529,363</b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF ACTIVITIES**

June 30, 2017

with summarized financial information for June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>Unrestricted net assets</b>		
Revenue, gains and other support		
Church donations	\$ 38,314	40,819
Public donations	355,488	363,971
Bequests and memoriams	32,984	33,699
Corporate and foundation donations	131,738	124,515
Federal USDA & FEMA commodities	726,428	653,633
Donated materials and facilities	2,595,158	3,052,961
Donated professional services	180	615
Interest income	1,423	2,072
Special events and other	190,057	152,733
	<u>4,071,770</u>	<u>4,425,018</u>
Net assets released from donor restrictions	<u>17,060</u>	<u>64,674</u>
<b>Total revenues, gains and other support</b>	<b>4,088,830</b>	<b>4,489,692</b>
Expenses and losses		
Program services	3,817,639	4,174,662
Support services		
Management and general	148,728	146,005
Fund raising	161,095	144,771
<b>Total expenses and losses</b>	<b>4,127,463</b>	<b>4,465,439</b>
Increase (decrease) in unrestricted net assets	(38,633)	24,253
<b>Temporarily restricted net assets</b>		
Contributions	76,112	58,829
Net assets released from donor restrictions	<u>(17,060)</u>	<u>(64,674)</u>
Increase in temporarily restricted net assets	<u>59,052</u>	<u>(5,845)</u>
Change in beneficial interest in assets held by the community foundation	<u>4,275</u>	<u>(1,399)</u>
<b>Total increase (decrease) in net assets</b>	<b>24,694</b>	<b>17,009</b>
Net assets at beginning of year	<u>2,508,660</u>	<u>2,491,651</u>
Net assets at end of year	<u>\$ 2,533,354</u>	<u>2,508,660</u>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF CASH FLOWS**

June 30, 2017

with summarized financial information for June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 24,694	17,009
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	58,687	54,175
Utilization of (increase in) leasehold interest	(67,213)	38,947
Loss on disposition of assets	-	1,053
Unrealized loss on investments	(3,916)	1,399
(Increase) decrease in operating assets:		
Receivables	65	(65)
Prepays	(271)	577
Inventory	12,789	(53,105)
Increase (decrease) in operating liabilities:		
Accounts payable	7,331	1,061
Accrued liabilities	4,874	2,155
Net cash provided (used) by operating activities	37,040	63,206
<b>Cash flows from investing activities:</b>		
Purchase of equipment and improvements	(10,571)	(32,727)
Purchase of investments	(142,084)	(191,618)
Proceeds from investment redemptions	25,167	131,634
Net cash used by investing activities	(127,488)	(92,711)
Net increase (decrease) in cash and cash equivalents	(90,448)	(29,505)
<b>Beginning cash and cash equivalents</b>	205,575	235,080
<b>Ending cash and cash equivalents</b>	\$ 115,127	205,575

See accompanying notes to financial statements.

SnowCap Community Charities

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2017

with summarized financial information for the year ended June 30, 2016

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2017</u>	<u>2016</u>
Compensation and related expenses:					
Salaries	\$ 194,325	92,049	54,548	340,922	322,354
Employee benefits	42,465	20,226	12,238	74,929	69,525
Payroll taxes	21,254	10,069	5,965	37,288	34,843
	<u>258,044</u>	<u>122,344</u>	<u>72,751</u>	<u>453,139</u>	<u>426,722</u>
Client assistance	52,736	-	-	52,736	85,863
Distribution of donated food and other materials	2,836,162	-	-	2,836,162	3,278,961
Agency transfers	347,189	-	-	347,189	277,413
Discards	63,272	-	-	63,272	57,086
Insurance	13,188	2,638	1,758	17,584	17,893
Maintenance and equipment	12,503	1,256	1,256	15,015	8,460
Merchant and bank fees	-	154	6,820	6,974	6,334
Occupancy	114,624	6,337	6,302	127,263	108,384
Professional fees and contract labor	28,611	9,244	3,787	41,642	44,398
Postage	6,391	452	2,432	9,275	13,753
Printing and media	7,056	483	2,701	10,240	9,500
Special events and mailers	-	-	51,357	51,357	40,693
Supplies and software	6,871	1,176	6,012	14,059	14,591
Training and conferences	3,749	472	489	4,710	2,928
Telephone	6,197	1,328	1,328	8,852	8,319
Transportation	4,466	266	266	4,998	6,166
Miscellaneous	2,299	464	1,546	4,309	3,800
	<u>3,763,358</u>	<u>146,613</u>	<u>158,805</u>	<u>4,068,776</u>	<u>4,411,264</u>
Depreciation	54,282	2,115	2,291	58,687	54,175
	<u>\$ 3,817,639</u>	<u>148,728</u>	<u>161,095</u>	<u>4,127,463</u>	<u>4,465,439</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(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, 9 paid staff and many local givers. During the year ended June 30, 2017, SnowCap served 166,884 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, 2017 are recorded at their estimated fair market values of \$1.25 and \$3.75 per pound. Food and clothing inventory balances at June 30, 2017 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 37,326 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 0.05 to 1.1 percent and have maturities ranging from four to eighteen 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 \$16,016 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 \$22,625 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	\$	9,469
Fund-raising		13,156
Management and General		-
	\$	<u>22,625</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, 2016, 2015 and 2014 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, 2017, property and equipment consists of the following:

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

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

Equipment	\$	52,521
Leasehold improvements		28,686
Building		630,592
Building furnishings		48,496
Warehouse equipment		196,854
Vehicles		142,062
Greenhouse/garden improvements		16,373
Software		84,125
		1,199,709
Accumulated depreciation		(565,962)
	\$	633,747

**(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, 2017, 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 \$87,750 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	\$	1,076,648
Less current portion - twelve months		(81,225)
Leasehold interest - non-current	\$	995,423

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>			
2018	\$	81,225	
2019		75,109	
2020		72,331	
2021		69,660	
2022		67,090	
Thereafter		711,233	
	\$	1,076,648	

**(5) Net assets**

As of June 30, 2017, net assets consist of:

**Unrestricted**

Designated:

Invested in building and equipment	\$	633,747
Fundraising fund		20,539
Quasi-endowment fund (note 6)		38,518

Undesignated		703,013
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<b>Total unrestricted</b>	\$	1,395,817
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**Temporarily restricted**

Restricted for:

Endowment	4,544
Food Fund	41,768
Donated facilities available	1,076,648
Pet food fund	940
Miscellaneous	13,637

<b>Total temporarily restricted</b>	1,137,537
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<b>Total net assets</b>	\$	2,533,354
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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, 2017:

<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	\$ 38,518	\$ -	\$ -	\$ 38,518
Total	\$ 38,518	\$ -	\$ -	\$ 38,518

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, 2016	\$ 34,243
Share of appreciation of fund	4,275
Distributions received	-
Balance at June 30, 2017	\$ 38,518

**7) Subsequent events**

Management has evaluated subsequent events through August 14, 2017, the date that the financial statements were available to be issued.