

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2018

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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Simpson & Company

Portland, Oregon
September 10, 2018

2165 SW MAIN STREET • PORTLAND, OREGON 97205 • 503-222-3673 • FAX 503-227-2289

SnowCap Community Charities

STATEMENT OF FINANCIAL POSITION

June 30, 2018

with summarized financial information for June 30, 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 165,803	115,127
Certificates of deposit	544,464	495,704
Prepays	2,671	995
Inventories	217,915	205,523
Leasehold interest, current	92,897	81,225
Total current assets	1,023,750	898,574
Beneficial interest in assets held		
by Community Foundation (note 6)	42,020	38,518
Property and equipment (note 2)	645,785	633,747
Leasehold interest, noncurrent (note 4)	1,060,910	995,423
Total assets	\$ 2,772,465	2,566,262

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 11,493	12,371
Accrued vacation and payroll taxes	16,205	20,537
Total current liabilities	27,698	32,908
Net assets (note 5)		
Unrestricted		
Designated	708,342	692,804
Undesignated	786,651	703,013
Total unrestricted	1,494,993	1,395,817
Temporarily restricted	1,249,774	1,137,573
Total net assets	2,744,767	2,533,390
Total liabilities and net assets	\$ 2,772,465	2,566,262

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF ACTIVITIES

June 30, 2018

with summarized financial information for June 30, 2017

	<u>2018</u>	<u>2017</u>
Unrestricted net assets		
Revenue, gains and other support		
Church donations	\$ 47,795	38,314
Public donations	370,853	355,488
Bequests and memoriams	38,238	32,984
Corporate and foundation donations	217,314	131,738
Federal USDA & FEMA commodities	678,262	726,428
Donated materials and facilities	2,589,078	2,595,158
Donated professional services	60	180
Interest income	2,344	1,423
Special events and other	184,204	190,057
	4,128,148	4,071,770
Net assets released from donor restrictions	9,380	17,060
	4,137,528	4,088,830
Total revenues, gains and other support		
Expenses and losses		
Program services	3,740,127	3,817,639
Support services		
Management and general	153,957	148,728
Fund raising	147,733	161,095
	4,041,818	4,127,463
Total expenses and losses		
Increase (decrease) in unrestricted net assets	95,710	(38,633)
Temporarily restricted net assets		
Contributions	121,581	76,112
Net assets released from donor restrictions	(9,380)	(17,060)
	112,201	59,052
Increase in temporarily restricted net assets		
Change in beneficial interest in assets held by the community foundation	3,502	4,275
	211,413	24,694
Total increase (decrease) in net assets		
Net assets at beginning of year	2,533,354	2,508,660
Net assets at end of year	\$ 2,744,767	2,533,354

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF CASH FLOWS

June 30, 2018

with summarized financial information for June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 211,413	24,694
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	65,284	58,687
Utilization of (increase in) leasehold interest	(77,159)	(67,213)
Loss on disposition of assets	6,628	-
Realized and unrealized gain on investments	(3,326)	(3,916)
(Increase) decrease in operating assets:		
Receivables	-	65
Prepays	(1,676)	(271)
Inventory	(12,392)	12,789
Increase (decrease) in operating liabilities:		
Accounts payable	(878)	7,331
Accrued liabilities	(4,332)	4,874
Net cash provided (used) by operating activities	<u>183,562</u>	<u>37,040</u>
Cash flows from investing activities:		
Purchase of equipment and improvements	(83,949)	(10,571)
Purchase of investments	(186,854)	(142,084)
Proceeds from investment redemptions	<u>137,917</u>	<u>25,167</u>
Net cash used by investing activities	<u>(132,886)</u>	<u>(127,488)</u>
Net increase (decrease) in cash and cash equivalents	50,676	(90,448)
Beginning cash and cash equivalents	<u>115,127</u>	<u>205,575</u>
Ending cash and cash equivalents	<u>\$ <u>165,803</u></u>	<u><u>115,127</u></u>

See accompanying notes to financial statements.

SnowCap Community Charities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018

with summarized financial information for the year ended June 30, 2017

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2018</u>	<u>2017</u>
Compensation and related expenses:					
Salaries	\$ 197,331	93,473	55,391	346,195	340,922
Employee benefits	41,585	19,712	11,710	73,007	74,929
Payroll taxes	21,485	10,177	6,031	37,693	37,288
	<u>260,401</u>	<u>123,362</u>	<u>73,132</u>	<u>456,895</u>	<u>453,139</u>
Client assistance	53,842	-	-	53,842	52,736
Distribution of donated food and other materials	2,737,326	-	-	2,737,326	2,836,162
Agency transfers	396,894	-	-	396,894	347,189
Discards	24,203	-	-	24,203	63,272
Insurance	11,013	2,202	1,468	14,683	17,584
Maintenance and equipment	13,723	1,270	1,269	16,262	15,015
Merchant and bank fees	-	-	3,937	3,937	6,974
Occupancy	123,003	6,793	6,793	136,589	127,263
Professional fees and contract labor	24,066	11,621	1,014	36,701	41,642
Postage	6,608	955	2,840	10,403	9,275
Printing and media	4,740	789	791	6,320	10,240
Special events and mailers	-	-	44,010	44,010	51,357
Supplies and software	3,546	956	5,564	10,066	14,059
Training and conferences	3,983	1,311	1,311	6,605	4,710
Telephone	7,565	1,621	1,621	10,807	8,852
Transportation	5,955	331	331	6,617	4,998
Miscellaneous	2,848	260	1,266	4,374	4,309
	<u>3,679,716</u>	<u>151,471</u>	<u>145,347</u>	<u>3,976,534</u>	<u>4,068,776</u>
Depreciation	60,411	2,487	2,386	65,284	58,687
	<u>\$ 3,740,127</u>	<u>153,957</u>	<u>147,733</u>	<u>4,041,818</u>	<u>4,127,463</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(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, 2018, SnowCap served 169,555 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, 2018 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 39,072 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 1.98 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 \$15,939 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 \$7,855 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	\$	5,014
Fund-raising		2,841
Management and General		-
	\$	<u>7,855</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, 2017, 2016 and 2015 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, 2018, property and equipment consists of the following:

Equipment	\$	28,954
Leasehold improvements		41,671
Building		630,592
Building furnishings		52,926
Warehouse equipment		197,355
Vehicles		178,497
Greenhouse/garden improvements		16,373
Software		84,125
		1,230,492
Accumulated depreciation		(584,707)
	\$	645,785

(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. Also see note 4.

In November 2017, the organization entered into 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, 2018. Future minimum lease payments under this lease include all service, training and periodic maintenance, and are as follows.

Year ended June 30:

2019	\$	23,700
2020		23,700
2021		23,700
2022		23,700
2023		17,775
	\$	112,575

(4) Leasehold interest

As of June 30, 2018, 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 2020; and an additional tract of land used partly to extend the warehouse and the rest as a park area through 2036. The

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(4) Leasehold interest (continued)

present value is based on current fair market rent of \$96,525 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	\$ 1,153,807
Less current portion - twelve months	(92,897)
Leasehold interest - non-current	\$ 1,060,910

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>		
2019	\$	92,897
2020		89,410
2021		82,811
2022		76,626
2023		73,799
Thereafter		738,264
	\$	1,153,807

(5) Net assets

As of June 30, 2018, net assets consist of:

Unrestricted		
Designated:		
Invested in building and equipment	\$	645,785
Fundraising fund		20,537
Quasi-endowment fund (note 6)		42,020
Undesignated		786,651
Total unrestricted	\$	1,494,993
Temporarily restricted		
Restricted for:		
Endowment		5,046
Food Fund		38,146
Donated facilities available		1,153,807
Pet food fund		2,222
Miscellaneous		50,553
Total temporarily restricted		1,249,774
Total net assets	\$	2,744,767

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, 2018:

		Fair Value Measurements Using		
<u>Description</u>	<u>Total</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	\$ 42,020	\$ -	\$ -	\$ 42,020
Total	\$ 42,020	\$ -	\$ -	\$ 42,020

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, 2017	\$ 38,518
Share of appreciation of fund	3,502
Distributions received	-
Balance at June 30, 2018	\$ 42,020

7) Subsequent events

Management has evaluated subsequent events through September 10, 2018, the date that the financial statements were available to be issued.