

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2023

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SnowCap Community Charities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions of events, considered in the aggregate, that raise substantial doubt about SnowCap Community Charities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SnowCap Community Charities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SnowCap Community Charities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our revised report dated February 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
September 19, 2023

SnowCap Community Charities

STATEMENT OF FINANCIAL POSITION

June 30, 2023

with summarized financial information for June 30, 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 859,752	1,351,344
Certificates of deposit	1,132,748	803,991
Receivables	-	250
Prepays	2,050	-
Inventories	209,717	186,644
Leasehold interest, current	<u>178,958</u>	<u>178,958</u>
Total current assets	2,383,225	2,521,187
Cash restricted to purchase of fixed assets	549,092	151,667
Beneficial interest in assets held		
by Community Foundation (note 6)	56,407	55,411
Receivables restricted to purchase of fixed assets (note 7)	185,394	218,153
Property and equipment (note 2)	786,849	671,508
Leasehold interest, noncurrent (note 4)	<u>2,715,720</u>	<u>2,810,763</u>
Total assets	\$ 6,676,687	6,428,689
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 10,361	10,473
Accrued vacation and payroll taxes	<u>33,814</u>	<u>20,637</u>
Total current liabilities	44,175	31,110
Net assets (note 5)		
Without donor restrictions		
Designated	2,313,794	1,947,457
Undesignated	<u>646,517</u>	<u>780,882</u>
Total	2,960,311	2,728,339
With donor restrictions	<u>3,672,201</u>	<u>3,669,240</u>
Total net assets	6,632,512	6,397,579
Total liabilities and net assets	\$ 6,676,687	6,428,689

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF ACTIVITIES

Year ended June 30, 2023

with summarized financial information for June 30, 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Revenue, gains and other support		
Church donations	\$ 55,778	29,774
Public donations	847,171	785,768
Bequests and memoriams	42,803	109,831
Corporate and foundation donations	314,827	252,702
Donated USDA and other food commodities	2,177,615	1,402,049
Donated facilities use and leasehold pledges	183,293	230,475
Donated clothing and other in-kinds	1,107,487	869,426
Interest income	20,764	2,109
Realized and unrealized gains (losses)	3,393	(3,400)
Special events and other	120,669	229,971
	4,873,800	3,908,705
Net assets released from donor restrictions	124,352	166,886
Total revenues, gains and other support	4,998,152	4,075,591
Expenses and losses		
Program services	4,362,024	3,305,022
Support services		
Management and general	206,314	160,644
Fund raising	197,843	157,550
Total expenses and losses	4,766,181	3,623,216
Increase (decrease) in net assets without donor restrictions	231,971	452,375
Net assets with donor restrictions		
Contributions	127,314	397,864
Net assets released from donor restrictions	(124,352)	(166,886)
Increase (decrease) in net assets with donor restrictions	2,962	230,978
Total increase (decrease) in net assets	234,933	683,353
Net assets at beginning of year	6,397,579	5,714,226
Net assets at end of year	\$ 6,632,512	6,397,579

See accompanying notes to financial statements.

SnowCap Community Charities
STATEMENT OF CASH FLOWS

Year ended June 30, 2023

with summarized financial information for June 30, 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 234,933	683,353
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	51,497	67,953
Utilization of (increase in) leasehold interest	95,043	91,953
Forgiveness of government loan	-	(96,700)
Realized and unrealized gain on investments	(3,393)	3,399
(Increase) decrease in operating assets:		
Receivables	33,259	(41,942)
Prepays	(2,050)	2,701
Inventory	(23,073)	8,948
Increase (decrease) in operating liabilities:		
Accounts payable	(112)	(5,904)
Accrued liabilities	13,177	(20,067)
Contributions restricted for long-term purposes	(397,425)	(69,712)
Net cash provided (used) by operating activities	<u>1,856</u>	<u>623,982</u>
Cash flows from investing activities:		
Purchase of equipment and improvements	(166,839)	(68,448)
Purchase of certificates of deposit/investments	(485,174)	(1,397)
Proceeds from redemptions of certificates of deposit	156,331	-
Proceeds from assets held by community foundation	2,234	2,050
Net cash used by investing activities	<u>(493,448)</u>	<u>(67,795)</u>
Net increase (decrease) in cash and cash equivalents	(491,592)	556,187
Beginning cash and cash equivalents	<u>1,351,344</u>	<u>795,157</u>
Ending cash and cash equivalents	\$ <u>859,752</u>	<u>1,351,344</u>

See accompanying notes to financial statements.

SnowCap Community Charities

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

with summarized financial information for the year ended June 30, 2022

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2023</u>	<u>2022</u>
Compensation and related expenses:					
Salaries	\$ 410,430	134,124	96,020	640,574	443,005
Employee benefits	59,829	20,179	14,197	94,205	91,311
Payroll taxes	39,590	12,990	9,279	61,859	46,512
	<u>509,849</u>	<u>167,293</u>	<u>119,496</u>	<u>796,638</u>	<u>580,828</u>
Client assistance	101,525	-	-	101,525	124,223
Distribution of donated food and other materials	2,497,355	-	-	2,497,355	1,656,681
Agency transfers	758,578	-	-	758,578	617,709
Discards	6,096	-	-	6,096	6,032
Insurance	16,370	3,274	2,183	21,827	21,667
Maintenance and equipment	14,171	1,771	1,771	17,713	13,974
Merchant and bank fees	-	-	4,913	4,913	8,169
Occupancy- donated space	259,854	9,241	9,241	278,336	322,428
Occupancy- utilities and maintenance	49,937	2,774	2,774	55,485	55,332
Professional fees and contract labor	50,394	10,195	30,140	90,729	69,208
Postage	6,934	1,191	3,105	11,230	7,945
Printing and media	8,671	1,435	1,455	11,561	10,816
Special events and mailers	-	-	5,144	5,144	6,103
Supplies and software	6,857	1,934	10,121	18,912	19,175
Training and conferences	6,592	1,561	1,561	9,714	4,403
Telephone	12,099	2,592	2,593	17,284	17,795
Transportation	7,188	399	399	7,986	10,045
Miscellaneous	2,424	425	809	3,658	2,730
	<u>4,314,894</u>	<u>204,085</u>	<u>195,705</u>	<u>4,714,684</u>	<u>3,555,263</u>
Loss on disposition of fixed assets	-	-	-	-	-
Depreciation	47,130	2,229	2,138	51,497	67,953
	<u>\$ 4,362,024</u>	<u>206,314</u>	<u>197,843</u>	<u>4,766,181</u>	<u>3,623,216</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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 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, 11 paid staff and many local givers. During the year ended June 30, 2023, SnowCap served 119,613 East County individuals in need (92,814 in the prior year).

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2023 are recorded at their estimated fair market values of \$1.44 and \$3.75 per pound (\$1.25 and \$3.75 during the year ended June 30, 2022). Food and clothing inventory balances at June 30, 2023 were recorded at the same respective values. The majority of the food come through the Oregon Food Bank, which are USDA products, donated and purchased food. The rest come from local grocery stores and the general public.

A substantial number of volunteers have donated approximately 22,951 hours (18,842 in the prior year) 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

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

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

services do not require specialized skills.

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 0.55 to 4.5 percent and have maturities ranging from six 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 for long-term purposes has been restricted by donors for the new building project 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 contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long these assets must be maintained, the organization reports expirations of donor restrictions when the donated asset is placed in service or when the cash is expended towards the intended purpose. Net assets with donor restrictions are reclassified to net assets without restrictions at that time.

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. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

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 \$26,500 were charged to current operations (\$21,253 in the prior year).

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 such as salaries, occupancy, and office expenses have been allocated on the basis of estimates of time and effort among the functions benefited. Directly identifiable expenses are charged to programs and supporting services.

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 \$7,266 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	\$	5,450
Fund-raising		1,816
Management and General		-
	\$	<u>7,266</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, 2022, 2021 and 2020 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.

The financial statements include certain prior-year summarized comparative information in total but not by functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles, and accordingly should be read with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(2) Property and equipment

As of June 30, 2023, property and equipment consists of the following:

Equipment	\$	35,174
Leasehold improvements		43,841
Building		637,290
Building furnishings		52,926
Warehouse equipment		230,130
Vehicles		298,072
Greenhouse/garden improvements		16,373
New Warehouse Preliminary Costs		350,796
		1,664,602
Accumulated depreciation		(877,753)
	\$	786,849

(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 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. The rental portion of the payments for this lease was \$8,633 for the year ended June 30, 2023 (\$8,096 in the prior year). Future minimum payments under this lease contract include all service, training and periodic maintenance, and are as follows.

2024		17,775
	\$	17,775

In the effort to reduce traffic at its warehouse, SnowCap started using a facility in Gresham to store clothing beginning in April 2021. The storage facilities are provided at no cost but based on current market rates, the Organization would have paid \$93,508 for the fiscal year for the space. This facility is leased on a short-term basis, and is cancellable by either party. The value of this utilized space was recognized in the Statement of Activities.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(4) Leasehold interest

As of June 30, 2023, 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) an additional tract of land used partly to extend the original warehouse and the rest as a park area through 2036; and 3) a separate tract of land where a multiuse building is planned to be built, through 2059.

The land lease #3 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 of the above is based on an estimated current fair market rent of \$184,829 annually (\$184,829 in the prior year) over their respective lease terms, using a 4.5% discount rate for the first land lease, 3.14% for the second, and 2.5% for the third. The first two leases cover property adjacent to each other, while the third is in a separate location.

The total leasehold interest amounts are classified as follows:

Future leasehold rights	\$ 2,894,677
Less current portion - twelve months	<u>(178,957)</u>
Leasehold interest - non-current	\$ <u>2,715,720</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>			
2024	\$	178,957	
2025		173,283	
2026		167,801	
2027		162,504	
2028		157,384	
Thereafter		<u>2,054,748</u>	
	\$	<u>2,894,677</u>	

(5) Net assets

Generally, the financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are board designations of sums to assure adequate financing of certain plans. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions would be classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from "Net assets with restrictions" to "Net assets without restrictions". As of June 30, 2023, net assets consist of:

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(5) Net assets (continued)

Without donor restrictions

Designated:

Invested in building and equipment	\$	786,849
Fundraising fund		20,538
Quasi-endowment fund (note 6)		56,407
New warehouse project		1,450,000

Undesignated		646,517
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Total	\$	2,960,311
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With donor restrictions

Restricted for:

Endowment		8,115
Food purchase		1,983
Donated facilities available		2,894,677
Pet food fund		8,594
New warehouse project		734,486
Miscellaneous		24,346

Total		3,672,201
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Total net assets	\$	6,632,512
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(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, nor 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, 2023:

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

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

<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	\$ 56,407	\$ -	\$ -	\$ 56,407
Total	\$ 56,407	\$ -	\$ -	\$ 56,407

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, 2022	\$ 55,411
Share of appreciation of fund	3,230
Distributions received	(2,234)
Balance at June 30, 2023	\$ 56,407

(7) **Receivable restricted to long-term use**

Receivables restricted to purchase of fixed assets as of June 30, 2023 are for the new warehouse project and is expected to be fully collected over the next 2 years discounted at 2%. The unamortized discount is \$6,606 as of June 30, 2023.

Receivable in one to two years	\$ 192,000
Less discounts to net present value	(6,606)
Net receivable	\$ 185,394

(8) **Subsequent events**

Management has evaluated subsequent events through September 19, 2023, the date that the financial statements were available to be issued.