

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon  
September 13, 2019

SnowCap Community Charities

**STATEMENT OF FINANCIAL POSITION**

June 30, 2019

with summarized financial information for June 30, 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 205,394	165,803
Certificates of deposit	554,899	544,464
Receivables	341	-
Prepays	5,685	2,671
Inventories	206,319	217,915
Leasehold interest, current	<u>94,774</u>	<u>92,897</u>
<b>Total current assets</b>	<b>1,067,412</b>	<b>1,023,750</b>
Beneficial interest in assets held		
by Community Foundation (note 6)	44,656	42,020
Property and equipment (note 2)	618,098	645,785
Leasehold interest, noncurrent (note 4)	<u>1,028,890</u>	<u>1,060,910</u>
<b>Total assets</b>	<b>\$ <u>2,759,056</u></b>	<b><u>2,772,465</u></b>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 11,659	11,493
Deferred Revenue	4,500	-
Accrued vacation and payroll taxes	<u>14,914</u>	<u>16,205</u>
<b>Total current liabilities</b>	<b>31,074</b>	<b>27,698</b>
Net assets (note 5)		
Without donor restrictions		
Designated	683,292	708,342
Undesignated	<u>827,888</u>	<u>786,651</u>
Total	1,511,180	1,494,993
With donor restrictions	<u>1,216,802</u>	<u>1,249,774</u>
<b>Total net assets</b>	<b><u>2,727,982</u></b>	<b><u>2,744,767</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>2,759,056</u></b>	<b><u>2,772,465</u></b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF ACTIVITIES**

June 30, 2019

with summarized financial information for June 30, 2018

	<u>2019</u>	<u>2018</u>
<b>Net assets without donor restrictions</b>		
Revenue, gains and other support		
Church donations	\$ 49,162	47,795
Public donations	336,134	370,853
Bequests and memoriams	31,593	38,238
Corporate and foundation donations	172,753	217,314
Federal USDA & FEMA commodities	829,687	678,262
Donated materials and facilities	2,682,913	2,589,078
Donated professional services	-	60
Interest income	6,514	2,344
Special events and other	228,919	184,204
	4,337,675	4,128,148
Net assets released from donor restrictions	74,516	9,380
<b>Total revenues, gains and other support</b>	<b>4,412,191</b>	<b>4,137,528</b>
Expenses and losses		
Program services	4,073,712	3,740,127
Support services		
Management and general	162,390	153,957
Fund raising	162,538	147,733
<b>Total expenses and losses</b>	<b>4,398,640</b>	<b>4,041,818</b>
Increase (decrease) in net assets without donor restrictions	13,551	95,710
<b>Net assets with donor restrictions</b>		
Contributions	41,544	121,581
Net assets released from donor restrictions	(74,516)	(9,380)
Increase (decrease) in net assets with donor restrictions	(32,972)	112,201
Change in beneficial interest in assets held by the community foundation	2,636	3,502
<b>Total increase (decrease) in net assets</b>	<b>(16,785)</b>	<b>211,413</b>
Net assets at beginning of year	2,744,767	2,533,354
Net assets at end of year	\$ 2,727,982	2,744,767

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF CASH FLOWS**

June 30, 2019

with summarized financial information for June 30, 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (16,785)	211,413
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	72,206	65,284
Utilization of (increase in) leasehold interest	30,143	(77,159)
Loss on disposition of assets	-	6,628
Realized and unrealized gain on investments	(2,688)	(3,326)
(Increase) decrease in operating assets:		
Receivables	(341)	-
Prepays	(3,014)	(1,676)
Inventory	11,596	(12,392)
Increase (decrease) in operating liabilities:		
Accounts payable	166	(878)
Deferred Revenue	4,500	-
Accrued liabilities	(1,291)	(4,332)
Net cash provided (used) by operating activities	<u>94,493</u>	<u>183,562</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and improvements	(44,520)	(83,949)
Purchase of investments	(463,558)	(186,854)
Proceeds from investment redemptions	<u>453,175</u>	<u>137,917</u>
Net cash used by investing activities	<u>(54,903)</u>	<u>(132,886)</u>
Net increase (decrease) in cash and cash equivalents	39,591	50,676
<b>Beginning cash and cash equivalents</b>	<u>165,803</u>	<u>115,127</u>
<b>Ending cash and cash equivalents</b>	<u>\$ <u>205,394</u></u>	<u>165,803</u>

See accompanying notes to financial statements.

SnowCap Community Charities

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2019

with summarized financial information for the year ended June 30, 2018

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2019</u>	<u>2018</u>
Compensation and related expenses:					
Salaries	\$ 210,851	99,877	59,186	369,914	346,195
Employee benefits	45,761	22,168	12,845	80,774	73,007
Payroll taxes	22,510	10,663	6,318	39,491	37,693
	<u>279,122</u>	<u>132,708</u>	<u>78,349</u>	<u>490,179</u>	<u>456,895</u>
Client assistance	56,423	-	-	56,423	53,842
Distribution of donated food and other materials	2,989,186	-	-	2,989,186	2,737,326
Agency transfers	451,995	-	-	451,995	396,894
Discards	14,684	-	-	14,684	24,203
Insurance	10,823	2,165	1,443	14,431	14,683
Maintenance and equipment	12,484	1,281	1,281	15,046	16,262
Merchant and bank fees	-	-	4,787	4,787	3,937
Occupancy	125,202	6,956	6,956	139,114	136,589
Professional fees and contract labor	27,253	9,897	2,871	40,021	36,701
Postage	5,694	849	2,464	9,007	10,403
Printing and media	7,854	380	2,238	10,472	6,320
Special events and mailers	-	-	49,166	49,166	44,010
Supplies and software	5,364	1,134	6,125	12,623	10,066
Training and conferences	3,083	1,007	1,007	5,097	6,605
Telephone	9,740	2,087	2,087	13,914	10,807
Transportation	5,388	299	299	5,986	6,617
Miscellaneous	2,545	961	797	4,303	4,374
	<u>4,006,840</u>	<u>159,724</u>	<u>159,870</u>	<u>4,326,434</u>	<u>3,976,534</u>
Depreciation	<u>66,872</u>	<u>2,666</u>	<u>2,668</u>	<u>72,206</u>	<u>65,284</u>
	<u>\$ 4,073,712</u>	<u>162,390</u>	<u>162,538</u>	<u>4,398,640</u>	<u>4,041,818</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(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, 2019, SnowCap served 110,150 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, 2018 are recorded at their estimated fair market values of \$1.25 and \$3.75 per pound. Food and clothing inventory balances at June 30, 2019 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 39,107 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 0.01 to 2.716 percent and have maturities ranging from three 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 \$18,022 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 \$14,218 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	\$	9,526
Fund-raising		4,692
Management and General		-
	\$	<u>14,218</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, 2018, 2017 and 2016 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, 2019, property and equipment consists of the following:

Equipment	\$	28,706
Leasehold improvements		43,841
Building		630,592
Building furnishings		52,926
Warehouse equipment		225,131
Vehicles		178,497
Greenhouse/garden improvements		16,373
Software		84,125
New Warehouse Prelim Costs		8,884
		1,269,074
Accumulated depreciation		(650,976)
	\$	618,098

**(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, 2019. Future minimum lease payments under this lease include all service, training and periodic maintenance, and are as follows.

2020	\$	23,700
2021		23,700
2022		23,700
2023		17,775
	\$	88,875

**(4) Leasehold interest**

As of June 30, 2019, 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

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

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

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 present value is based on current fair market rent of \$98,475 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	\$ 1,123,664
Less current portion - twelve months	<u>(94,774)</u>
Leasehold interest - non-current	<u>\$ 1,028,890</u>

The expected time expirations on restrictions of leasehold interests are:

Year ended June 30

2020	\$	94,774
2021		87,753
2022		81,172
2023		78,174
2024		75,290
Thereafter		<u>706,502</u>
	\$	<u>1,123,664</u>

**(5) Net assets**

As of June 30, 2019, net assets consist of:

**Without donor restrictions**

Designated:

Invested in building and equipment	\$ 618,098
Fundraising fund	20,538
Quasi-endowment fund (note 6)	44,656
Undesignated	<u>827,888</u>
<b>Total</b>	<b>\$ 1,511,180</b>

**With donor restrictions**

Restricted for:

Endowment	5,570
Food Fund	28,354
Donated facilities available	1,123,664
Pet food fund	690
Feasibility Study	31,117
Miscellaneous	<u>27,407</u>
<b>Total</b>	<b><u>1,216,802</u></b>
<b>Total net assets</b>	<b>\$ <u>2,727,982</u></b>

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, 2019:

		Fair Value Measurements Using		
Description	Total	<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	\$ 44,656	\$ -	\$ -	\$ 44,656
Total	\$ 44,656	\$ -	\$ -	\$ 44,656

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, 2018	\$ 42,020
Share of appreciation of fund	2,636
Distributions received	-
Balance at June 30, 2019	\$ 44,656

**7) Subsequent events**

Management has evaluated subsequent events through September 13, 2019, the date that the financial statements were available to be issued.

A Memorandum of Understanding was signed in May 2019 with a land lease donor to signify the intent to lease property for a second SnowCap location. The Memorandum of Understanding does not legally bind SnowCap to sign a lease in the future.