

COLUMBIA PACIFIC FOOD BANK

FINANCIAL STATEMENTS

Year Ended June 30, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

COLUMBIA PACIFIC FOOD BANK

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Columbia Pacific Food Bank
Saint Helens, Oregon

We have audited the accompanying financial statements of Columbia Pacific Food Bank (a non-profit organization), 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.

Auditors' 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 auditors' judgment, including the assessment of the risks 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 statements.

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 Columbia Pacific Food Bank 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.

To the Board of Directors
Columbia Pacific Food Bank

Other Matters

Report on Summarized Comparative Information

We have previously audited Columbia Pacific Food Bank's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 11, 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.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Kern & Thompson, LLC

Portland, Oregon
February 20, 2019

COLUMBIA PACIFIC FOOD BANK
STATEMENT OF FINANCIAL POSITION

June 30, 2018
(With Comparative Totals as of June 30, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 64,889	\$ 127,601
Investments	52,847	150,495
Prepaid expenses	15,419	7,143
Inventories	61,992	52,796
Property and equipment, net	517,506	77,500
Total assets	\$ 712,653	\$ 415,535

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 5,986	\$ 16,081
Note payable	250,000	-
Total liabilities	255,986	16,081
Net assets		
Net assets without donor restrictions		
Net investment in property and equipment	267,506	77,500
Board designated - building and equipment reserve	-	140,895
Board designated - operating reserve	20,000	20,000
Available for operations	169,161	161,059
Total net assets	456,667	399,454
Total liabilities and net assets	\$ 712,653	\$ 415,535

See notes to financial statements.

COLUMBIA PACIFIC FOOD BANK

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Unrestricted revenues and other support				
Contributions	\$ 215,613	\$ 15,000	\$ 230,613	\$ 223,845
Government support	110,638	-	110,638	73,408
Share contributions	50,391	-	50,391	30,130
Donated goods	1,422,620	-	1,422,620	1,335,050
Investment income	4,360	-	4,360	3,833
Realized and unrealized appreciation (depreciation) of investments	(2,587)	-	(2,587)	212
Miscellaneous income	4,099	-	4,099	2,574
	1,805,134	15,000	1,820,134	1,669,052
Net assets released from restrictions	15,000	(15,000)	-	-
Total unrestricted revenues and other support	1,820,134	-	1,820,134	1,669,052
Expenses				
Food distribution program	1,684,085	-	1,684,085	1,547,021
Supporting services				
Administration	21,804	-	21,804	18,045
Resource development	57,032	-	57,032	51,370
Total expenses	1,762,921	-	1,762,921	1,616,436
Change in net assets	57,213	-	57,213	52,616
Unrestricted net assets, beginning of year	399,454	-	399,454	346,838
Unrestricted net assets, end of year	\$ 456,667	\$ -	\$ 456,667	\$ 399,454

See notes to financial statements.

COLUMBIA PACIFIC FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>SUPPORTING SERVICES</u>				<u>Total</u>	
	<u>Food</u>	<u>Admin- istration</u>	<u>Resource</u>	<u>Total</u>		
	<u>Distribution</u>			<u>Development</u>	<u>2018</u>	<u>2017</u>
	<u>Program</u>					
Emergency disbursements						
Donated food	\$ 1,413,743	\$ -	\$ -	\$ 1,413,743	\$ 1,341,866	
Purchased food	45,728	-	-	45,728	37,906	
Operating expenses						
Salaries	114,263	13,018	17,356	144,637	134,715	
Payroll taxes and employee benefits	13,688	1,559	2,079	17,326	16,449	
Utilities	6,293	717	956	7,966	8,220	
Telephone	2,381	272	362	3,015	2,518	
Repairs and maintenance	10,122	-	-	10,122	12,267	
Insurance	7,256	827	1,155	9,238	6,417	
Banking fees	-	-	3,890	3,890	1,434	
Supplies	2,372	256	577	3,205	3,206	
Newsletter and public relations	-	-	23,783	23,783	12,667	
Depreciation	12,962	-	-	12,962	8,476	
Miscellaneous	55,277	5,155	6,874	67,306	30,295	
	<u>\$ 1,684,085</u>	<u>\$ 21,804</u>	<u>\$ 57,032</u>	<u>\$ 1,762,921</u>	<u>\$ 1,616,436</u>	

See notes to financial statements.

COLUMBIA PACIFIC FOOD BANK

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 57,213	\$ 52,616
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,962	8,476
(Gain) loss on investments	2,587	(212)
Changes in assets and liabilities:		
Prepaid expenses	(8,276)	(528)
Inventories	(9,196)	6,342
Accounts payable and accrued expenses	(10,095)	5,375
Net cash provided by (used in) operating activities	45,195	72,069
Cash flows from investing activities:		
Purchase of real property	(452,968)	(58,186)
Purchase of investments	(15,130)	-
Proceeds from sale of investments	110,191	13,055
Net cash provided by (used in) investing activities	(357,907)	(45,131)
Cash flows from investing activities:		
Proceeds from long-term debt	250,000	-
Net cash provided by (used in) investing activities	250,000	-
Net change in cash and cash equivalents	(62,712)	26,938
Cash and cash equivalents, beginning of year	127,601	100,663
Cash and cash equivalents, end of year	\$ 64,889	\$ 127,601

See notes to financial statements.

COLUMBIA PACIFIC FOOD BANK
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Columbia Pacific Food Bank (the Organization) is the regional food bank for Columbia County. The Organization operates the Barbara Bullis H.E.L.P. food pantry in St. Helens, and delivers food to 39 food pantries and meal programs throughout Columbia County. The Organization works to eliminate hunger by facilitating the collection and distribution of healthy food. Generous food donations arrive from local donors, such as farms, manufacturers, wholesalers, retailers, and individuals. The Organization is authorized to receive commodities from the United States Department of Agriculture (USDA). The Organization also purchases food.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 (“ASU 2016-14”)*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

COLUMBIA PACIFIC FOOD BANK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and included in investments.

Share Contributions

Oregon Food Bank (OFB) is the statewide distribution network for food donations. The Organization pays a share contribution between \$0.04 and \$0.07 per pound to OFB to offset a portion of the handling costs they incur. The Organization then charges its partner agencies \$0.10 per pound to offset handling costs incurred.

Inventories

Inventories consist of donated food and grocery products, USDA commodities, and purchased product. Donated goods inventory is stated at the estimated wholesale fair market value. USDA commodities are stated at the value provided by the Department of Agriculture. Purchased product inventory is stated at cost on a first-in-first-out basis. During the year ended June 30, 2018, management assessed its estimate of the value of donated goods inventory as \$1.25 per pound.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the various assets. Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are expensed. Donated assets are reflected as contributions at their estimated fair value at the date of receipt. It is the Organization's policy to capitalize property and equipment with a cost over \$1,000.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COLUMBIA PACIFIC FOOD BANK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization operates as a nonprofit corporation and has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort

NOTE C – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management’s assumptions and best estimates based on available data. Assets in this level include beneficial interests in assets held by others.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Exchange traded funds	\$ <u>52,847</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>52,847</u>
Total investments	\$ <u><u>52,847</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>52,847</u></u>

COLUMBIA PACIFIC FOOD BANK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

Land	\$	113,435
Building		334,434
Furniture and fixtures		36,630
Vehicles		<u>122,738</u>
Total property and equipment		607,237
Less accumulated depreciation		<u>(89,731)</u>
Property and equipment, net	\$	<u><u>517,506</u></u>

NOTE E – LONG-TERM DEBT

Long-term debt consists of the following:

5.49% mortgage payable to Twin City Bank; monthly payments of \$1,545 including interest. Interest rate adjusts after 5 years to an indexed rate (currently 5.5%). Final payment of \$189,701 due June 13, 2028; secured by building.	\$	<u><u>250,000</u></u>
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Maturities of long-term debt are as follows:

Year Ending June 30,		
<u>2019</u>	\$	4,807
2020		5,077
2021		5,363
2022		5,665
2023		5,984
Thereafter		<u>223,104</u>
	\$	<u><u>250,000</u></u>

NOTE F – DONATED ASSETS AND SERVICES

The Organization received approximately 1.13 million pounds of food and grocery products from the food industry, other businesses, community organizations and individuals in 2018. The product is valued at its estimated wholesale value of \$1.25 per pound at June 30, 2018. To arrive at the estimated wholesale fair value, the organization uses an independent accountant's report prepared for Feeding America as a guide to determine an average rate that reflects the specific composition of inventory held.

COLUMBIA PACIFIC FOOD BANK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE F – DONATED ASSETS AND SERVICES (CONTINUED)

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2018, approximately 6,000 volunteer hours were provided to assist with warehouse operations. These hours of general volunteer support are not reflected in the financial statements as they do not meet the criteria for recording donated services.

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents at a credit union insured by the National Credit Union Insurance Fund. Balances may exceed insured limits at various times.

NOTE H – BOARD DESIGNATED NET ASSETS

As of June 30, 2018, the Board has designated net assets totaling \$20,000 for an operating reserve.

NOTE I – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 64,889
Investments	52,847
Total financial assets	<u>117,736</u>
Less those unavailable for general expenditure within one year, due to:	
Board designated reserve	(20,000)
Contractual or donor-imposed restrictions	-
	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>97,736</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 20, 2019, which is the date the financial statements were available to be issued.