

WEST SEATTLE FOOD BANK

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2011 AND 2010



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West Seattle Food Bank
Seattle, Washington

We have audited the accompanying statements of financial position of West Seattle Food Bank (the Organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Seattle Food Bank as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones & Associates LLC, CPAs

Jones & Associates LLC, CPAs
October 13, 2011

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WEST SEATTLE FOOD BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 89,541	\$ 65,431
Investments, current	375,589	238,903
Accounts receivable and other	13,519	19,910
Prepays and deposits	8,217	13,816
Total current assets	486,866	338,060
Investments, noncurrent	361,713	446,139
Property and equipment, net	2,728,400	2,815,240
	\$ 3,576,979	\$ 3,599,439
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,939	\$ 8,919
Accrued payroll and other expenses	22,877	20,740
Total current liabilities	38,816	29,659
Forgivable debt	250,000	250,000
Long-term contract obligations	1,137,000	1,137,000
	1,425,816	1,416,659
 UNRESTRICTED NET ASSETS	 2,151,163	 2,182,780
	\$ 3,576,979	\$ 3,599,439

**WEST SEATTLE FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 339,643	\$ -	\$ 339,643
Government contracts and grants	83,761	-	83,761
Food Resource Network Federation	17,277	-	17,277
Special events, net	72,303	-	72,303
Tenant and other revenue	11,985	-	11,985
Investment return	52,300	-	52,300
In-kind food and other donations	1,428,531	-	1,428,531
	<u>2,005,800</u>	<u>-</u>	<u>2,005,800</u>
EXPENSES			
Program services	1,917,175	-	1,917,175
Management and general	48,826	-	48,826
Fund-raising	71,416	-	71,416
Total expenses	<u>2,037,417</u>	<u>-</u>	<u>2,037,417</u>
CHANGE IN NET ASSETS	(31,617)	-	(31,617)
NET ASSETS			
Beginning of year	<u>2,182,780</u>	<u>-</u>	<u>2,182,780</u>
End of year	<u>\$ 2,151,163</u>	<u>\$ -</u>	<u>\$ 2,151,163</u>

**WEST SEATTLE FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 284,943	\$ -	\$ 284,943
Government contracts and grants	84,063	-	84,063
Food Resource Network Federation	24,794	-	24,794
Special events, net	55,619	-	55,619
Tenant and other revenue	10,450	-	10,450
Investment return	24,946	-	24,946
In-kind food and other donations	1,261,897	-	1,261,897
	<u>1,746,712</u>	<u>-</u>	<u>1,746,712</u>
EXPENSES			
Program services	1,690,406	-	1,690,406
Management and general	58,969	-	58,969
Fund-raising	57,628	-	57,628
Total expenses	<u>1,807,003</u>	<u>-</u>	<u>1,807,003</u>
CHANGE IN NET ASSETS	(60,291)	-	(60,291)
NET ASSETS			
Beginning of year	<u>2,243,071</u>	<u>-</u>	<u>2,243,071</u>
End of year	<u>\$ 2,182,780</u>	<u>\$ -</u>	<u>\$ 2,182,780</u>

WEST SEATTLE FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services	Support Services		Total
		Management and General	Fund-raising	
Salaries and wages	\$ 124,195	\$ 15,243	\$ 37,665	\$ 177,103
Payroll taxes and benefits	35,332	3,194	11,220	49,746
In-kind food and other	1,423,937	4,594	-	1,428,531
Purchased food	169,992	-	-	169,992
Depreciation	85,023	1,448	1,869	88,340
Occupancy	34,325	330	330	34,985
Miscellaneous	6,103	3,244	9,050	18,397
Equipment maintenance	16,806	127	155	17,088
Professional services	-	16,517	-	16,517
Printing and postage	697	266	9,739	10,702
Supplies	6,784	1,417	702	8,903
Volunteer and public relations	6,320	338	310	6,968
Insurance	4,654	1,674	-	6,328
Telephone	3,007	434	376	3,817
	<u>\$ 1,917,175</u>	<u>\$ 48,826</u>	<u>\$ 71,416</u>	<u>\$ 2,037,417</u>

**WEST SEATTLE FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010**

	Program Services	Support Services		Total
		Management and General	Fund-raising	
Salaries and wages	\$ 121,224	\$ 14,818	\$ 35,798	\$ 171,840
Payroll taxes and benefits	29,496	2,872	5,300	37,668
In-kind food and other	1,258,903	-	-	1,258,903
Purchased food	126,688	-	-	126,688
Depreciation	84,557	1,442	1,854	87,853
Occupancy	30,961	326	326	31,613
Miscellaneous	6,715	3,635	3,279	13,629
Professional services	-	32,264	-	32,264
Printing and postage	409	399	9,958	10,766
Equipment maintenance	10,037	7	43	10,087
Supplies	7,216	649	625	8,490
Volunteer and public relations	5,798	900	445	7,143
Insurance	4,794	1,653	-	6,447
Telephone	3,608	4	-	3,612
	<u>\$ 1,690,406</u>	<u>\$ 58,969</u>	<u>\$ 57,628</u>	<u>\$ 1,807,003</u>

**WEST SEATTLE FOOD BANK
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, contracts and grants	\$ 531,360	\$ 461,929
Cash received from investment income and other	3,760	6,176
Cash paid to employees and suppliers	(505,790)	(455,096)
	29,330	13,009
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,500)	(13,064)
Purchase of investments	(3,720)	(62,969)
Proceeds from note receivable	-	50,375
	(5,220)	(25,658)
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,110	(12,649)
CASH AND CASH EQUIVALENTS		
Beginning of the year	65,431	78,080
End of the year	\$ 89,541	\$ 65,431

**WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – West Seattle Food Bank (the Organization) is a not-for-profit community service organization established in 1981 to provide food security and community connections to its neighbors in need. The Organization’s program services include securing and distributing quality, nutritional food to clients, educating clients regarding nutrition, increasing public awareness of hunger in the community, coordinating community services for clients, and assuring continuity of services to clients through a convenient accessible location. The Organization also has a home food delivery program to multifamily and residential homes. The Organization is supported primarily through in-kind food contributions.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets, depending on the existence and nature of donor restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets at June 30, 2011 or 2010.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments – The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Fair Value Measurements – The Organization has adopted Statement of Financial Accounting Standards Board Codification 820-10, Fair Value Measurements (FASB ASC 820-10). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about financial instruments. In addition, FASB ASC 820-10 establishes a hierarchy that classifies the inputs used to calculate fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 Quoted prices in markets that are not considered to be active for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data;

- Level 3 Inputs that are both significant to the fair value measurement and unobservable, including investment specific inputs that are not derived from market data and inputs that cannot be corroborated by market data. The determination of fair value for investments included in the level 3 category requires considerable subjectivity and estimation.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies
(continued)

Fair Value Measurements (continued)

Fair value measurements apply to the Organization's fixed income and equity funds, which are classified within level 1 of the fair value hierarchy.

Property and Equipment – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of three to forty years. The Organization follows a policy whereby it capitalizes purchases of property and equipment over \$1,000 that provide future benefits over a period longer than one year.

Revenue Recognition – Grant and contribution revenue are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor or grantor restrictions. When a restriction expires, that is when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounting principles allow the Organization to treat as unrestricted any restricted revenue where the restrictions are met in the same year. The Organization has elected to follow that reporting method. As a result, all activities in which the restrictions have been fully met in the same year as the contribution are recorded as unrestricted net assets. Activities in which all restrictions have not been met by the end of the year are included as temporarily restricted net assets.

Government Contracts – Revenues from government grants and contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustment made by the funding agencies.

Donated Food and Other Goods – Donations of goods include food and other materials and are recorded as revenue at the estimated fair value at the date of donation. The Organization estimated receipt of 1,057,743 and 869,430 pounds of food for the years ended June 30, 2011 and 2010, respectively. The Organization records food donations on an average value per pound basis, as determined by the State of Washington Emergency Food Assistance Program and based on pricing lists published by the U.S. Department of Agriculture.

Donated Services – Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers assisted in food collection, distribution and home delivery. No amounts have been recognized as contributions in the financial statements for these volunteer hours since the recognition criteria were not met.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies
(continued)

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. These reclassifications did not affect the change in net assets in the prior year.

Note 2 – Cash Flow Information

The following reconciles the change in net assets to net cash provided by operating activities for the years ended June 30:

	2011	2010
Change in net assets	\$ (31,617)	\$ (60,291)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	88,340	87,853
Unrealized gain on investments	(48,540)	(18,770)
Change in:		
Accounts receivable and other	6,391	2,060
Prepays and deposits	5,599	(2,056)
Accounts payable	7,020	548
Accrued payroll and other expenses	2,137	3,665
	\$ 29,330	\$ 13,009

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 3 – Investments

Investments consist of the following at June 30:

	2011	2010
Money market funds	\$ 375,589	\$ 238,903
Fixed income funds	105,095	239,823
Equity funds	256,618	206,316
	<u>\$ 737,302</u>	<u>\$ 685,042</u>

Investment return consists of the following at June 30:

	2011	2010
Interest and dividends	\$ 3,760	\$ 6,176
Unrealized gain	48,540	18,770
	<u>\$ 52,300</u>	<u>\$ 24,946</u>

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	2011	2010
Building - condominium unit	\$ 2,979,570	\$ 2,979,570
Furniture and equipment	75,417	73,917
Vehicles	36,564	36,564
	<u>3,091,551</u>	<u>3,090,051</u>
Less accumulated depreciation	<u>(363,151)</u>	<u>(274,811)</u>
	<u>\$ 2,728,400</u>	<u>\$ 2,815,240</u>

Note 5 – Forgivable Debt

The non-interest bearing note payable to City of Seattle Human Services Department is secured by a deed of trust on the building. The note expires on September 30, 2022 and the debt will be forgiven, provided that the Organization adheres to the terms of the note. The Organization intends to comply with the terms of the note.

WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 6 – Long-Term Contract Obligations

As part of obtaining financing for the building, the Organization entered into long-term contracts with King County Community Services Division, Housing and Community Development, and the State of Washington, Department of Community, Trade and Economic Development. These contracts require repayment of the funding if the Organization does not provide certain services or use the property for its intended purposes for a period of ten years. The contracts expire in 2017. The Organization fully intends to comply with the terms of the contracts. Long-term contract obligations consist of the following as of June 30:

	2011	2010
State of Washington	\$ 887,000	\$ 887,000
King County	250,000	250,000
	<u>\$ 1,137,000</u>	<u>\$ 1,137,000</u>

Note 7 – Related Party Transactions

In 2004, the West Seattle Community Resource Center (WSCRC), a Washington limited liability company, was formed to develop, own and operate the residential portion of a mixed used building that includes 34 low-income family housing units and 10,000 square feet of social service program space.

In 2005, the Organization entered into a purchase sales agreement with Delridge Neighborhood Development Association (DNDA), the managing member of WSCRC, whereby the Organization released and reassigned its ownership of land as consideration for the deposit to purchase the non-residential condominium unit of the building. Construction on the building was completed in April 2007, at which time the Organization purchased the condominium unit comprised of operating space for the Organization and office space to be leased to other social service agencies.

As a member of the West Seattle Community Resource Center Condominium Association (the Association), the Organization pays monthly assessments for common expenses, insurance, and other specially approved assessments such as reserves. In addition, the Organization may appoint two directors to serve on the Board of the Association. For the years ended June 30, 2011, and 2010, the Organization paid assessments totaling \$18,685 and \$19,164, respectively, which are included in occupancy expense.

In March 2009, the Organization loaned \$50,000 to DNDA. Interest on the note receivable accrued at 3% per year with quarterly principal and interest payments. The note receivable was paid in full in January 2010.

**WEST SEATTLE FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

Note 8 – Revenue Concentration

For the years ended June 30, 2011 and 2010, respectively, in-kind food contributions from two suppliers comprised 31% and 37% of total support and revenue.

Note 9 – Retirement Plan

The Organization sponsors a retirement savings plan (the Plan) under section 410(k) of the Internal Revenue Code. Eligible employees may make elective deferrals under the plan up to the maximum allowed by law. The Organization also annually contributes 3% of eligible employees' compensation. Employer contributions to the plan totaled \$5,252 and \$4,963 for the years ended June 30, 2011 and 2010, respectively.

Note 10 – Subsequent Events

Subsequent events were evaluated through October 13, 2011, which is the date the financial statements were available to be issued.