

UNIVERSITY DISTRICT SERVICE LEAGUE

Financial Statements for the Year Ended  
June 30, 2018  
and Independent Auditor's Report



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UNIVERSITY DISTRICT SERVICE LEAGUE  
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For the Year Ended June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
University District Service League  
Seattle, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of University District Service League (the Food Bank), a Washington nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Seattle, Washington  
April 19, 2019

UNIVERSITY DISTRICT SERVICE LEAGUE  
Statement of Financial Position  
June 30, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 589,040
Grants and contributions receivable	55,522
Capital campaign receivables	62,140
Food and other inventory	46,158
Prepaid expenses	<u>12,091</u>
Total current assets	<u>764,951</u>
Noncurrent assets:	
Property and equipment, net	<u>3,251,564</u>
Total noncurrent assets	<u>3,251,564</u>
Total assets	<u><u>\$ 4,016,515</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 1,468
Accrued liabilities	40,606
Deferred revenue	<u>56,420</u>
Total current liabilities	98,494
Note payable	<u>206,765</u>
Total liabilities	<u>305,259</u>
Net assets:	
Unrestricted	3,661,058
Temporarily restricted	<u>50,198</u>
Total net assets	<u>3,711,256</u>
Total liabilities and net assets	<u><u>\$ 4,016,515</u></u>

The accompanying notes should be read with these financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Statement of Activities  
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
In-kind contributions	\$ 2,606,350	\$ -	\$ 2,606,350
Contributions	618,223		618,223
Capital campaign contributions	16,484	50,198	66,682
Other government grants	195,200		195,200
Special events	239,624		239,624
Special event expenses	(47,973)		(47,973)
Rental income	15,320		15,320
Interest and dividend income	4,607		4,607
Net assets released from restrictions	<u>13,541</u>	<u>(13,541)</u>	
Total support and revenue	<u>3,661,376</u>	<u>36,657</u>	<u>3,698,033</u>
Expenses:			
Program	3,307,014		3,307,014
General and administrative	105,547		105,547
Fundraising	<u>177,327</u>		<u>177,327</u>
Total expenses	<u>3,589,888</u>		<u>3,589,888</u>
Change in net assets	71,488	36,657	108,145
Net assets, beginning of year	<u>3,589,570</u>	<u>13,541</u>	<u>3,603,111</u>
Net assets, end of year	<u>\$ 3,661,058</u>	<u>\$ 50,198</u>	<u>\$ 3,711,256</u>

The accompanying notes should be read with these financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Statement of Functional Expenses  
For the Year Ended June 30, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Food donations	\$ 2,827,367	\$ -	\$ -	\$ 2,827,367
Salaries and benefits	288,760	44,210	115,209	448,179
Depreciation	51,255	7,847	20,450	79,552
Grants and contributions	74,838	-	-	74,838
Special events	-	-	47,973	47,973
Office and miscellaneous expenses	10,441	16,054	14,278	40,773
Occupancy	21,767	3,333	8,685	33,785
Professional fees	-	16,315	-	16,315
Bad Debts	-	15,229	-	15,229
Other program expenses	15,163	-	-	15,163
Interest expense	9,278	1,421	3,702	14,401
Credit card fees	-	-	12,752	12,752
Interest - loan fee amortization	5,640	864	2,251	8,755
Insurance	<u>2,505</u>	<u>274</u>	<u>-</u>	<u>2,779</u>
 Total expenses	 3,307,014	 105,547	 225,300	 3,637,861
 Less: expenses included with revenue on the statement of activities	 <u>-</u>	 <u>-</u>	 <u>(47,973)</u>	 <u>(47,973)</u>
 Total expenses included in the expense section of the statement of activities	 <u>\$ 3,307,014</u>	 <u>\$ 105,547</u>	 <u>\$ 177,327</u>	 <u>\$ 3,589,888</u>

The accompanying notes should be read with these financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Statement of Cash Flows  
For the Year Ended December 31, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 108,145
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Capital campaign contributions	(66,682)
Change in value of annuity contract	(1,030)
Depreciation	79,552
Interest - amortization of debt issuance cost	8,755
Bad debt	15,229
Decrease (increase) in operating assets:	
Accounts and grants receivable	7,253
Food and other inventory	15,079
Prepaid expenses	(3,778)
Increase (decrease) in operating liabilities:	
Accounts payable	(6,103)
Accrued liabilities	6,943
Deferred revenue	<u>46,160</u>
Net cash provided (used) by operating activities	<u>209,523</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(5,345)
Proceeds from annuity contract	<u>104,060</u>
Net cash provided (used) by investing activities	<u>98,715</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Cash paid for debt issuance cost	(5,188)
Principal payments of long term-term debt	(102,051)
Proceeds from capital campaign contributions	<u>57,001</u>
Net cash provided (used) by financing activities	<u>(50,238)</u>
Net increase (decrease) in cash	258,000
Cash and cash equivalents, beginning of year	<u>331,040</u>
Cash and cash equivalents, end of year	<u>\$ 589,040</u>

The accompanying notes should be read with these financial statements.



UNIVERSITY DISTRICT SERVICE LEAGUE  
Notes to Financial Statements  
For the Year Ended June 30, 2018

NOTE 1 - NATURE AND PURPOSE OF THE ORGANIZATION

University District Service League doing business as the University District Food Bank (the Food Bank) is a nonprofit corporation organized to prevent hunger across Northeast Seattle neighborhoods and to help move low-income families toward self-sufficiency. The Food Bank's primary program, the walk-in food bank, supports more than 1,200 families each week during its four days of distribution. Through an innovative and award-winning grocery store styled shopping system, Food Bank customers themselves choose the healthy food they want to take home each visit. The Food Bank also supplements the three-day supply of food offered to each customer with other essentials such as toiletries, baby formula, diapers and pet food. The Food Bank also helps customers make connections to important community resources such as discounted bus fare, Supplemental Nutrition Assistance Program (SNAP), health insurance, voter registration, and the Seattle Public Library System. It is one of the busiest food banks in the City of Seattle.

After over 33 years in a small basement facility at the University Christian Church, the Food Bank moved to a new location in July 2016. This purpose-built facility better meets the operational needs and future growth of the Food Bank and is importantly co-located with 49 units of low-income housing, some specifically targeted to young adults. The Food Bank is also co-located with a nonprofit coffee shop, Street Bean Coffee Roasters, which provides job skills training and supportive services for street-involved youth. The Food Bank completed the purchase of the new facility in December 2016.

In addition to the walk-in food bank, the Food Bank offers several programs to provide food to individuals and families in the community who are unable to come to the Food Bank's physical location. The home delivery program supports 140 homebound seniors and severely disabled individuals each week. Teams of volunteers bring these families customized food boxes every Wednesday. Packs for Kids, which is the school backpack program, provides 550 children from 12 nearby schools with healthy and easy-to-prepare meals, snacks, and drinks for the weekend when school meals are not available.

In its new facility, the Food Bank now has a rooftop garden called Rooftop Roots. Through a mix of staff and volunteers, the Food Bank grows produce year-round in 2,000 square feet of raised bed gardens. The produce is made available to the Food Bank's customers. In collaboration with the library next door, the Food Bank also provides educational, youth-oriented gardening events to customer families and to those in nearby neighborhoods.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Notes to Financial Statements  
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, the Food Bank reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Food Bank had no permanently restricted net assets at June 30, 2018.

Temporarily restricted net assets

Temporarily restricted amounts are those that are stipulated by donors for specific purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. Temporarily restricted net assets as of June 30, 2018 were restricted to the purchase of an anaerobic biodigester.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and cash equivalents

The Food Bank maintains its cash in bank deposit accounts that at times may exceed federally insured limits. For the purposes of the statements of cash flows, the Food Bank generally considers highly liquid investments with original maturities of three months or less to be cash equivalents. Certificates of deposit totaling \$239,823 are included in cash equivalents. The certificates bear interest ranging from 1.7 percent to 2.24 percent. Any penalties for early withdrawal would not have a material effect on the financial statements.

Inventory

Inventory consists primarily of donated food and items to be sold at the annual auction. These contributions are valued at fair value when received. Purchased inventory is recorded at cost.

Fixed assets

Fixed assets are stated at cost, if purchased, or fair value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Fixed asset additions of \$5,000 or more with a useful life in excess of one year are capitalized.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Notes to Financial Statements  
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Grants and contributions receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. All were considered collectible within one year and no allowance for uncollectible amounts was considered necessary at June 30, 2018.

Pledges receivables are initially recorded at fair value including assumptions about expected year of collection, estimated allowance, and donor-specific discount rates. Management reviews the collectability of pledges receivable on a periodic basis and specifically identifies amounts that are considered to be uncollectible. A reserve for doubtful accounts is then established, if deemed necessary by management. The Food Bank charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance for uncollectible amounts was considered necessary at June 30, 2018.

Revenue recognition

Contributions are recognized as revenue on the date the related pledge is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind contributions consist primarily of food donations. The Food Bank measures pounds of food donated when received and records in-kind revenue based on a per pound rate used by the Washington State Department of Agriculture. During the year ended June 30, 2018, 47 percent of in-kind food contributions were received from two donors.

A substantial number of unpaid volunteers have made significant contributions of their time to administer the Food Bank's distribution programs. The Food Bank valued this contributed labor at \$423,181 for the year ended June 30, 2018. The value of these services is not reflected in the accompanying financial statements.

All government grant income is from two local governmental agencies. Revenue is recognized as it is earned.

Revenue from special events is recognized in the period the event takes place. Funds collected in advance of the event are deferred until the event occurs. Likewise, expenses paid prior to the date of the event are recognized as prepaid expenses, and recognized as expenses on the date of the event.

Federal income tax

University District Service League is a nonprofit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Food Bank's income tax filings are subject to examination by various taxing authorities.

UNIVERSITY DISTRICT SERVICE LEAGUE  
Notes to Financial Statements  
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Federal income tax, continued

The Food Bank follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification Subtopic 740-10, *Income Taxes*. The Food Bank believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 3 – CAPITAL CAMPAIGN RECEIVABLES

Capital campaign receivables consisted of \$62,140. All pledges are receivable in less than one year and no allowance for uncollectible amounts was considered necessary at June 30, 2018.

NOTE 4 – PROPERTY AND EQUIPMENT

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

Building	\$ 2,230,245
Vehicles	90,920
Computers	13,709
Freezers and equipment	171,588
Furniture	<u>61,071</u>
	2,567,533
Less: accumulated depreciation	<u>(248,277)</u>
	2,319,256
Land	<u>932,308</u>
	<u>\$ 3,251,564</u>

NOTE 5– NOTE PAYABLE

Note payable to Impact Capital, interest at 6.5%, payments based on receipt of capital campaign contributions during the year, remainder due at maturity, December 31, 2019

Less: unamortized loan fees

\$ 225,085
<u>( 18,320)</u>
<u>\$ 206,765</u>

UNIVERSITY DISTRICT SERVICE LEAGUE  
Notes to Financial Statements  
For the Year Ended June 30, 2018

NOTE 6 – RESTRICTIVE COVENANTS AND RECOVERABLE GRANTS

In prior years, the Food Bank received forgivable loans of \$555,810 and \$250,000 from the State of Washington and the City of Seattle, respectively, to finance the construction of its current building. These loans covenant that the property be restricted to use as a food bank and other services specifically targeted to prevent food insecurity, as outlined in the agreements, for 10 and 5 years, respectively. If these requirements are not met, the full balance on the grants is payable to the grantors. Management believes the possibility that this condition will not be met is remote since it is the mission of the Food Bank. As such, these forgivable loans were recorded as revenue in prior years and are included in unrestricted net assets at June 30, 2018.

NOTE 7 – RETIREMENT PLAN

The Food Bank has a SEP-IRA retirement plan covering all employees who are in service as of December 31 each year. The Food Bank contributes 5 percent of annual wages with the expense being accrued with each payroll. Contributions to the plan were \$15,467 during the year ended June 30, 2018.

NOTE 8 –DEFERRED REVENUE

The Food Bank has entered into a lease agreement whereby it has leased a retail area in its building as a contribution to another non-profit organization, Street Bean Coffee Roasters (SBCR). The original lease term commences from March 1, 2018 and ends on December 31, 2018 with an option to extend the lease up to two consecutive terms of three years each. SBCR has extended the lease and the present value of the rent expense contributed for the remaining lease term has been estimated at \$52,920 which has been accounted for as a Grant of Rental Space and as Deferred Revenue for the Food Bank.

NOTE 9 – SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through April 19, 2019, which is the date the financial statements were available to be issued, and has determined that there are no material subsequent events that require recognition or additional disclosure.