

UNIVERSITY DISTRICT SERVICE LEAGUE

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**



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**UNIVERSITY DISTRICT SERVICE LEAGUE
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YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

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INDEPENDENT AUDITORS' 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, 2019, 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 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.

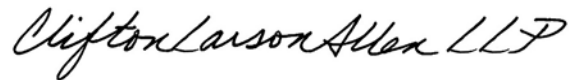
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank 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 Food Bank's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2019. 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Bellevue, Washington
April 9, 2020

**UNIVERSITY DISTRICT SERVICE LEAGUE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 637,274	\$ 589,040
Grants and Contributions Receivable	57,005	55,522
Capital Campaign Receivables	10,000	62,140
Food and Other Inventory	69,367	46,158
Prepaid Expenses	9,002	12,091
Total Current Assets	782,648	764,951
NONCURRENT ASSETS		
Escrow Reserve	4,541	-
Property and Equipment, Net	3,285,128	3,251,564
Total Noncurrent Assets	3,289,669	3,251,564
Total Assets	\$ 4,072,317	\$ 4,016,515
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,871	\$ 1,468
Accrued Liabilities	49,116	40,606
Deferred Revenue	42,020	56,420
Current Portion of Note Payable	4,387	-
Total Current Liabilities	108,394	98,494
Note Payable, Net	223,570	206,765
Total Liabilities	331,964	305,259
NET ASSETS		
Without Donor Restrictions	3,645,789	3,661,058
With Donor Restrictions	94,564	50,198
Total Net Assets	3,740,353	3,711,256
Total Liabilities and Net Assets	\$ 4,072,317	\$ 4,016,515

See accompanying Notes to Financial Statements.

**UNIVERSITY DISTRICT SERVICE LEAGUE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
REVENUE AND SUPPORT				
In-Kind Contributions	\$ 3,174,104	\$ -	\$ 3,174,104	\$ 2,606,350
Contributions	648,718	-	648,718	618,223
Capital Campaign Contributions	-	44,366	44,366	66,682
Other Government Grants	205,071	-	205,071	195,200
Special Events	272,082	-	272,082	239,624
Special Event Expenses	(48,126)	-	(48,126)	(47,973)
Rental Income	15,120	-	15,120	15,320
Interest and Dividend Income	15,362	-	15,362	4,607
Total Support and Revenue	<u>4,282,331</u>	<u>44,366</u>	<u>4,326,697</u>	<u>3,698,033</u>
EXPENSES				
Program	4,043,499	-	4,043,499	3,307,014
General and Administrative	103,347	-	103,347	105,547
Fundraising	150,754	-	150,754	177,327
Total Expenses	<u>4,297,600</u>	<u>-</u>	<u>4,297,600</u>	<u>3,589,888</u>
CHANGE IN NET ASSETS	(15,269)	44,366	29,097	108,145
Net Assets - Beginning of Year	<u>3,661,058</u>	<u>50,198</u>	<u>3,711,256</u>	<u>3,603,111</u>
NET ASSETS - END OF YEAR	<u>\$ 3,645,789</u>	<u>\$ 94,564</u>	<u>\$ 3,740,353</u>	<u>\$ 3,711,256</u>

See accompanying Notes to Financial Statements.

**UNIVERSITY DISTRICT SERVICE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services	General and Administrative	Fundraising	Total 2019	Total 2018
Food Donations	\$ 3,423,868	\$ -	\$ -	\$ 3,423,868	\$ 2,827,367
Salaries and Benefits	386,679	40,217	117,093	543,989	448,179
Depreciation	79,081	447	782	80,310	79,552
Grants and Contributions	8,314	-	-	8,314	74,838
Special Events	-	-	48,126	48,126	47,973
Office and Miscellaneous Expenses	18,842	30,565	16,642	66,049	40,773
Occupancy	81,930	-	-	81,930	33,785
Professional Fees	-	28,425	3,750	32,175	16,315
Bad Debts	-	2,140	-	2,140	15,229
Other Program Expenses	17,524	-	-	17,524	15,163
Interest Expense	11,626	66	115	11,807	14,401
Credit Card Fees	-	-	12,236	12,236	12,752
Interest - Loan Fee Amortization	13,770	78	136	13,984	8,755
Insurance	1,865	1,409	-	3,274	2,779
Total Expenses	<u>4,043,499</u>	<u>103,347</u>	<u>198,880</u>	<u>4,345,726</u>	<u>3,637,861</u>
Less: Expenses Included with Revenue on the Statement of Activities	<u>-</u>	<u>-</u>	<u>(48,126)</u>	<u>(48,126)</u>	<u>(47,973)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,043,499</u>	<u>\$ 103,347</u>	<u>\$ 150,754</u>	<u>\$ 4,297,600</u>	<u>\$ 3,589,888</u>

See accompanying Notes to Financial Statements.

**UNIVERSITY DISTRICT SERVICE LEAGUE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 29,097	\$ 108,145
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Capital Campaign Contributions	(44,366)	(66,682)
Change in Value of Annuity Contract	-	(1,030)
Depreciation	80,310	79,552
Interest - Amortization of Debt Issuance Cost	13,984	8,755
Bad Debt	2,140	15,229
(Increase) Decrease in Operating Assets:		
Accounts and Grants Receivable	(3,623)	7,253
Food and Other Inventory	(23,209)	15,079
Prepaid Expenses	3,089	(3,778)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	11,403	(6,103)
Accrued Liabilities	8,510	6,943
Deferred Revenue	(14,400)	46,160
Net Cash Provided by Operating Activities	62,935	209,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(113,874)	(5,345)
Deposits to Escrow Reserve	(4,541)	
Proceeds from Annuity Contract	-	104,060
Net Cash Provided (Used) by Investing Activities	(118,415)	98,715
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Paid for Debt Issuance Cost	(9,419)	(5,188)
Proceeds from Long-Term Debt	244,200	-
Principal Payments of Long-Term Debt	(227,573)	(102,051)
Proceeds from Capital Campaign Contributions	96,506	57,001
Net Cash Provided (Used) by Financing Activities	103,714	(50,238)
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,234	258,000
Cash and Cash Equivalents - Beginning of Year	589,040	331,040
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 637,274	\$ 589,040

See accompanying Notes to Financial Statements.

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

University District Service League dba: 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.

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.

Financial Statement Presentation

The Food Bank's financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2016-14

During the year ended June 30, 2019, the Food Bank adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of the Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), expands reporting of expenses by nature and function, and requires qualitative and quantitative disclosures about the Food Bank's liquidity and availability. The adoption of this accounting standard did not have an impact on the Food Bank's financial position or changes in its net assets.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Food Bank reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Most expenses are directly assigned based on the function that incurred the cost. Employee time is allocated based on time worked. Depreciation, interest, and amortization of loan fees is allocated based on square footage.

Cash and Cash Equivalents

The Food Bank considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Food Bank maintains its cash in bank deposit accounts and certificates of deposit that at times may exceed federally insured limits.

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, 2019.

Pledges receivable are initially recorded at fair value including assumptions about expected year of collection, estimated allowance, and donor-specific discount rates. Management reviews the collectibility 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, 2019.

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.

Property and Equipment

We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

Donated Services and In-Kind Contributions

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, 2019, 43% of in-kind food contributions were received from two donors.

In addition, the Food Bank received volunteer accounting, graphic design, and legal services in 2019 valued at \$20,975.

A substantial number of unpaid volunteers have made significant contributions of their time (approximately 25,000 volunteer hours) to administer the Food Bank's distribution programs. The Food Bank valued this contributed labor at \$420,070 for the year ended June 30, 2019. The value of these services is not reflected in the accompanying financial statements.

Income Taxes

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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 637,274
Grants and Contributions Receivable	<u>57,005</u>
Total	<u><u>\$ 694,279</u></u>

Beginning in 2020, the Food Bank's policy is to maintain operating reserves of at least three months of budgeted expenditures.

NOTE 3 CAPITAL CAMPAIGN RECEIVABLES

Capital campaign receivables consisted of \$10,000 at June 30, 2019. All pledges are receivable in less than one year and no allowance for uncollectible amounts was considered necessary at June 30, 2019.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Land	\$ 932,308
Construction in Progress	108,570
Building	2,230,245
Vehicles	90,920
Computers	13,709
Freezers and Equipment	171,588
Furniture	<u>66,375</u>
Total	3,613,715
Less: Accumulated Depreciation	<u>(328,587)</u>
Total Property and Equipment	<u><u>\$ 3,285,128</u></u>

**UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 NOTE PAYABLE

Notes payable at June 30, 2019 consisted of the following:

<u>Description</u>	<u>Amount</u>
Note payable to WCRA, interest at 4%, principal and interest payments of \$1,166 made monthly, remainder due at maturity, December 1, 2028. Secured by a deed of trust on the building.	\$ 241,712
Less: Unamortized Loan Fees	<u>(13,755)</u>
Total	<u><u>\$ 227,957</u></u>

Future minimum payments at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 4,387
2021	4,566
2022	4,752
2023	4,945
2024	5,147
Thereafter	<u>217,915</u>
Total	<u><u>\$ 241,712</u></u>

During the year ended June 30, 2019, a loan from Impact Capital that was outstanding at June 30, 2018 was paid in full with the proceeds from the WCRA note.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the capital campaign at June 30, 2019.

NOTE 7 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 net assets without donor restrictions at June 30, 2019.

UNIVERSITY DISTRICT SERVICE LEAGUE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 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% of annual wages with the expense being accrued with each payroll. Contributions to the plan were \$19,857 during the year ended June 30, 2019.

NOTE 9 SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through April 9, 2020, which is the date the financial statements were available to be issued, and has determined that, except as noted below, there are no material subsequent events that require recognition or additional disclosure.

The organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. Multiple jurisdictions in the U.S. have declared a state of emergency, and it is anticipated that resulting impacts will continue for some time. Future impacts may include increased costs due to the increased demand for food, and due to changes in the operating environment to accommodate the need for social distancing. The future effects of these issues are unknown.