

**UNIVERSITY DISTRICT SERVICE LEAGUE
dba UNIVERSITY DISTRICT FOOD BANK**

Financial Statements
June 30, 2023 and 2022

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
University District Service League
Seattle, Washington

Opinion

We have audited the accompanying financial statements of University District Service League dba University District Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University District Service League dba University District Food Bank as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University District Service League and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of University District Service League as of June 30, 2022 were audited by other auditors whose report dated January 26, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about University District Service League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University District Service League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University District Service League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Greenwood Ohlund

Seattle, Washington
December 21, 2023

UNIVERSITY DISTRICT SERVICE LEAGUE

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,029,419	\$ 1,255,281
Investments	2,358,047	1,841,539
Grants and contributions receivable	204,310	69,622
Food inventory	102,826	116,819
Prepaid expenses	15,829	12,819
Total current assets	3,710,431	3,296,080
Property and Equipment, net	3,395,659	3,331,159
Total assets	<u>\$ 7,106,090</u>	<u>\$ 6,627,239</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 190,968	\$ 24,461
Accrued payroll liabilities	116,468	141,619
Total liabilities	307,436	166,080
Net Assets		
Without donor restrictions	6,486,584	6,185,953
With donor restrictions	312,070	275,206
Total net assets	6,798,654	6,461,159
Total liabilities and net assets	<u>\$ 7,106,090</u>	<u>\$ 6,627,239</u>

See accompanying notes to financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Donated food	\$ 3,467,092	\$ -	\$ 3,467,092	\$ 3,292,228	\$ -	\$ 3,292,228
Grants and contributions	2,250,842	252,324	2,503,166	2,019,175	62,897	2,082,072
Special events	379,149	-	379,149	251,520	-	251,520
Special events - direct benefit to donor	(79,995)	-	(79,995)	(31,799)	-	(31,799)
Investment return and other	148,631	-	148,631	(183,579)	-	(183,579)
Net assets released from restrictions	215,460	(215,460)	-	99,269	(99,269)	-
Total support and revenue	6,381,179	36,864	6,418,043	5,446,814	(36,372)	5,410,442
Expenses						
Program services	5,685,860	-	5,685,860	4,826,313	-	4,826,313
Management and general	161,201	-	161,201	139,816	-	139,816
Fundraising	233,487	-	233,487	210,463	-	210,463
Total expenses	6,080,548	-	6,080,548	5,176,592	-	5,176,592
Change in net assets	300,631	36,864	337,495	270,222	(36,372)	233,850
Net Assets, beginning of year	6,185,953	275,206	6,461,159	5,915,731	311,578	6,227,309
Net Assets, end of year	\$ 6,486,584	\$ 312,070	\$ 6,798,654	\$ 6,185,953	\$ 275,206	\$ 6,461,159

See accompanying notes to financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Food donations and purchases	\$ 4,415,919	\$ -	\$ -	\$ 4,415,919	\$ 3,803,158	\$ -	\$ -	\$ 3,803,158
Salaries and benefits	886,365	69,210	166,210	1,121,785	672,397	64,820	147,643	884,860
Program supplies and other	145,323	-	-	145,323	109,094	-	-	109,094
Depreciation	113,328	320	1,247	114,895	113,942	253	1,234	115,429
Office and miscellaneous expense	5,161	51,934	53,179	110,274	6,639	41,588	50,191	98,418
Special events	-	-	79,995	79,995	-	-	31,800	31,800
Occupancy	71,312	-	-	71,312	65,288	-	-	65,288
Professional fees	-	35,068	6,250	41,318	-	28,615	6,250	34,865
Grants and contributions	27,698	-	-	27,698	32,285	-	-	32,285
Credit card fees	20,754	-	6,601	27,355	23,510	-	5,144	28,654
Insurance	-	4,669	-	4,669	-	4,540	-	4,540
	5,685,860	161,201	313,482	6,160,543	4,826,313	139,816	242,262	5,208,391
Less: Special events - direct benefit to donor	-	-	(79,995)	(79,995)	-	-	(31,799)	(31,799)
	<u>\$ 5,685,860</u>	<u>\$ 161,201</u>	<u>\$ 233,487</u>	<u>\$ 6,080,548</u>	<u>\$ 4,826,313</u>	<u>\$ 139,816</u>	<u>\$ 210,463</u>	<u>\$ 5,176,592</u>

See accompanying notes to financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 337,495	\$ 233,850
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Contributions restricted for property and equipment	-	(62,897)
Gains on investments	(77,967)	-
Depreciation	114,895	115,429
Changes in operating assets and liabilities:		
Grants and contributions receivable	(134,688)	73,649
Food inventory	13,993	3,761
Prepaid expenses	(3,010)	8,382
Accounts payable	166,507	(5,891)
Accrued payroll liabilities	(25,151)	45,202
Net cash flows from operating activities	392,074	411,485
Cash Flows from Investing Activities		
Purchases of investments	(438,541)	(1,939,404)
Proceeds from sales of investments	-	849,354
Purchases of property and equipment	(179,395)	(56,195)
Net cash flows from investing activities	(617,936)	(1,146,245)
Cash Flows from Financing Activity		
Proceeds from contributions restricted for property and equipment	-	62,897
Net change in cash and cash equivalents	(225,862)	(671,863)
Cash and Cash Equivalents, beginning of the year	1,255,281	1,927,144
Cash and Cash Equivalents, end of the year	<u>\$ 1,029,419</u>	<u>\$ 1,255,281</u>

See accompanying notes to financial statements.

UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

University District Service League, doing business as University District Food Bank (the Food Bank) is a nonprofit corporation organized to prevent hunger across Northeast Seattle neighborhoods and to help move individuals and families of low-income toward increased levels of food security, economic stability, and self-sufficiency.

The Food Bank's programming is primarily focused on improved food access for our neighbors. While the on-going COVID pandemic has meant sustained changes and challenges to the Food Bank's weekly operations, our core programming has been maintained and operational practices are returning to more normal conditions. Public health considerations still guide and shape our work although they are now balanced with choice and access when planning our services. The Food Bank does however maintain longer distribution hours and expanded staffing levels to reduce some operational pressures.

The primary program, a walk-in food pantry in Seattle's University District neighborhood, provides a grocery store shopping experience for 1,300+ weekly customer families. Customers shop through the market to select the produce, dairy, meat, and other pantry staples they need to prepare their own healthy, culturally familiar meals. Hygiene items and baby supplies supplement customer visits. Ready to eat items are available for kitchenless customers when they visit.

Two weekly satellite pantries continue to support their specific communities, important since these communities have more limited access to healthy food. The pantry at Magnuson Park serves 100-150 households per week. At North Seattle College, the pantry supports about 200-250 households per week. With more on-campus learning planned for 2023-24, we anticipate that the pantry at North Seattle College will continue to grow in participation. In 2024, the Food Bank remains focused on expanding healthy, culturally familiar food choices at each of these locations.

When in-person access to pantries is a challenge, the Food Bank offers home delivery of groceries using a range of collaborations. The Food Bank provides more than 425 households with grocery deliveries each week and maintain a small waiting list for this service too. Volunteers pack customized grocery bags for each of the home delivery customers based on their expressed needs and preferences. Volunteers deliver the majority of the groceries. An on-going partnership with Pedaling Relief Project brings added delivery capacity to reach one off customers as well as those needing only temporary services. The Food Bank also provides deliveries every Saturday through United Way and DoorDash collaborations.

Packs for Kids, a weekly program to bring backpacks of food to students in nearby public schools, has reached record levels in participation. The Food Bank has new distribution partners this year so they provide this service through 18 nearby schools and reach more than 750 students each week. This response ensures that students continue to have access to healthy and easy to prepare meals and snacks throughout the weekend and return to school ready to learn on Monday morning.

The Food Bank continues to operate Rooftop Roots, our rooftop garden. 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 distributed directly to the Food Bank's customers across the different programs, as appropriate.

We also collaborate with The Doorway Project at UW to offer two 10-week garden internship programs for ten youth living in a nearby transitional housing. We will rebuild our raised beds in early 2024 to increase growing efficiencies and production.

UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

Finally, the Food Bank works to connect customers to other important community resources. The community engagement team provides a mail service for more than 120 customers, helps customers enroll in SNAP and utility discount programs, access free bus tickets, and restore lost identification cards and drivers' licenses. The Food Bank hosts regular health insurance enrollment activities, discount cell phone enrollment, and vaccination clinics for COVID, flu, and hepatitis.

The biggest challenge the Food Bank faces going forward is the 55% increase in customer visits this year combined with a significant increase in food costs and on-going uncertainty in the food supply chain which makes reliable access to affordable food a challenge. The Food Bank frequently encounters supply issues from nonprofit and for-profit wholesalers. Costs for many of our pantry staples continue to increase and key non-profit distributors expect declining donation inventory. Significantly expanded fundraising will be needed to sustain this, especially as the slow recovery and possible recession have made for longer food bank lines.

The community, as donors and volunteers, continues to make this work possible every week. The Food Bank is grateful for their generous support.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Food Bank are reported in each of the following two classes: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed stipulations.

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met either by actions of the Food Bank or the passage of time. Contributions that the donor requires to be used to acquire long lived assets (the biodigester project) are reported as restricted. When the long-lived asset is placed into service, the Food Bank reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

The Food Bank reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the revenue is recognized.

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Future periods (time restricted)	\$ 200,000	\$ 61,555
Biodigester project	86,143	213,651
Bloom internships	23,889	-
Van costs	2,038	-
	<u>\$ 312,070</u>	<u>\$ 275,206</u>

UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

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 the estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents are defined as any short term, highly liquid instruments with original maturities of three months or less. Certain cash and cash equivalents are classified as investments as they are included within the Food Bank's investment pool. The Food Bank maintains amounts in banks in excess of the federally insured limits. The Food Bank has not experienced any such losses on amounts exceeding federally insured limits.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments

The Food Bank records investments in debt and equity securities at fair value in the statements of financial position. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement of the investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets, such as national exchanges, for identical assets.

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UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

Investments consist of the following at June 30:

	2023	2022
Cash equivalents	\$ 277,450	\$ 11,573
Common stock	1,053,297	-
Corporate bonds	710,289	1,702,379
Equity mutual funds	185,544	127,587
Exchange traded funds	131,467	-
	<u>\$ 2,358,047</u>	<u>\$ 1,841,539</u>

Investment return consists of interest and dividends, realized and unrealized gains and losses, less investment fees is reported on the statements of activities as increases or decreases in net assets without donor restrictions unless a donor restricts its use.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected in one year are recorded at net realizable value. Management reviews the collectability of contributions and grants receivable on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. The Food Bank charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance for grants and contributions receivable was considered necessary at June 30, 2023 or 2022.

Food Inventory and Donated Food

Food inventory consists of undistributed donated food that will be provided to persons in need. Inventory is stated at the lower of cost or net realizable value. The Food Bank records the value of donated food as a contribution at the time the food is donated since the Food Bank has discretion in deciding the disposition of the donated food. Cost is estimated based on the fair value for donated goods at the time of donation, which is recognized based on the dollar value per pound of food established by the State of Washington, Emergency Food Assistance Program. The valuation was \$1.82 for the years ended June 30, 2023 and 2022.

Food donations from one organization represented 37% of donated food for the years ended June 30, 2023 and 2022.

Property and Equipment

Property and equipment is stated at cost, if purchased, or at fair value if donated. All purchases or donations greater than \$5,000 with a useful life of one year or longer are capitalized. Depreciation is computed on property and equipment on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 30 years.

UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

Property and equipment consist of the following at June 30:

	2023	2022
Building	\$ 2,278,435	\$ 2,278,435
Furniture and equipment	248,915	251,672
Vehicles	188,391	251,865
	2,715,741	2,781,972
Less: Accumulated depreciation	(657,978)	(609,314)
	2,057,763	2,172,658
Construction in progress	405,588	226,193
Land	932,308	932,308
	<u>\$ 3,395,659</u>	<u>\$ 3,331,159</u>

Revenue Recognition

Grants and contributions (including those from government agencies and those received at special events) are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or barrier and a right of return, are not recognized until the conditions on which they depend have been met (for grants from government agencies, this generally occurs when the qualified expenditures are incurred).

Revenue from these government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2023 and 2022, no such adjustments were made.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain expenses are allocated to more than one program or supporting function. The Food Bank allocates occupancy and depreciation on a square-footage basis, as well as salaries and related expenses and office expenses, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Food Bank is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

UNIVERSITY DISTRICT SERVICE LEAGUE

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Food Bank has evaluated subsequent events through the date these financial statements were available to be issued, which was December 21, 2023.

Note 2 – Liquidity and Availability of Resources

Generally, the Food Bank strives to maintain liquid financial assets to represent at least three months of average cash operating expenses. Financial assets in excess of daily cash requirement are invested in mutual funds.

The following table reflects the Food Bank's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions for purpose. Net assets with donor restrictions for future periods relating to the year ending June 30, 2024 (totaling \$100,000) are considered general expenditures within one year of the statement of financial position date.

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 1,029,419	\$ 1,255,281
Investments	2,358,047	1,841,539
Grants and contributions receivable	204,310	69,622
	3,591,776	3,166,442
Less: Amounts Not Available to be Used Within One Year		
Net assets with donor restrictions	(212,070)	(213,651)
	<u>\$ 3,379,706</u>	<u>\$ 2,952,791</u>

Note 3 – Restrictive Covenants and Recoverable Grants

In a prior year, the Food Bank received a forgivable loan of \$555,810 from the State of Washington, to finance the construction of its current building. This loan covenants that the property be restricted to use as a food bank and other services specifically targeted to prevent food insecurity, as outlined in the agreement. The covenants expire on November 30, 2026. If these requirements are not met, the full balance on the grant 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, this forgivable loan was recorded as revenue in a prior year as without donor restrictions.