

SnowCap Community Charities

FINANCIAL STATEMENTS

June 30, 2021

with independent auditor's report thereon

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8-15



**SIMPSON & COMPANY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

Board of Directors  
SnowCap Community Charities

We have audited the accompanying statements of SnowCap Community Charities, a nonprofit corporation, which comprise the statement of financial position as of June 30, 2021, 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.

**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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 statement.

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 SnowCap Community Charities as of June 30, 2021, 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 Organization's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon  
November 5, 2021

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SnowCap Community Charities

**STATEMENT OF FINANCIAL POSITION**

June 30, 2021

with summarized financial information for June 30, 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 795,157	702,885
Certificates of deposit	802,607	643,232
Grants and Pledges Receivable, current	78,308	-
Prepays	2,701	981
Inventories	195,592	214,562
Leasehold interest, current	264,448	252,992
<b>Total current assets</b>	<b>2,138,813</b>	<b>1,814,652</b>
Cash restricted to purchase of fixed assets	81,955	-
Beneficial interest in assets held		
by Community Foundation (note 6)	60,846	44,425
Grants and Pledges Receivable, noncurrent	98,153	-
Property and equipment (note 2)	671,014	712,179
Leasehold interest, noncurrent (note 4)	5,001,967	4,776,101
<b>Total assets</b>	<b>\$ 8,052,748</b>	<b>7,347,357</b>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 16,377	26,814
Forgivable loans (note 7)	96,700	96,700
Accrued vacation and payroll taxes	40,704	32,234
<b>Total current liabilities</b>	<b>153,781</b>	<b>155,748</b>
Net assets (note 5)		
Without donor restrictions		
Designated	1,452,398	1,077,142
Undesignated	823,566	847,353
Total	2,275,964	1,924,495
With donor restrictions	5,623,003	5,267,114
<b>Total net assets</b>	<b>7,898,967</b>	<b>7,191,609</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,052,748</b>	<b>7,347,357</b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF ACTIVITIES**

Year ended June 30, 2021

with summarized financial information for June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>Net assets without donor restrictions</b>		
Revenue, gains and other support		
Church donations	\$ 33,244	49,395
Public donations	757,196	694,837
Bequests and memoriams	64,900	37,444
Corporate and foundation donations	246,935	369,071
Donated USDA and other food commodities	1,961,378	2,429,649
Donated facilities use and leasehold pledges	324,303	264,937
Donated clothing and other in-kinds	347,880	1,030,994
Interest income	4,583	10,324
Realized and unrealized gains	16,640	(300)
Special events and other	93,272	135,949
	3,850,331	5,022,300
Net assets released from donor restrictions	116,557	9,569
<b>Total revenues, gains and other support</b>	<b>3,966,888</b>	<b>5,031,869</b>
Expenses and losses		
Program services	3,312,654	4,308,942
Support services		
Management and general	160,504	153,150
Fund raising	142,261	156,462
<b>Total expenses and losses</b>	<b>3,615,419</b>	<b>4,618,554</b>
Increase (decrease) in net assets without donor restrictions	351,469	413,315
<b>Net assets with donor restrictions</b>		
Contributions	235,124	154,453
Leasehold pledges	237,322	3,905,428
Net assets released from donor restrictions	(116,557)	(9,569)
Increase (decrease) in net assets with donor restrictions	355,889	4,050,312
<b>Total increase (decrease) in net assets</b>	<b>707,358</b>	<b>4,463,627</b>
<b>Net assets at beginning of year</b>	<b>7,191,609</b>	<b>2,727,982</b>
<b>Net assets at end of year</b>	<b>\$ 7,898,967</b>	<b>7,191,609</b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF CASH FLOWS**

Year ended June 30, 2021

with summarized financial information for June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 707,358	4,463,627
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	75,326	71,824
Loss on disposition of assets	49,839	-
Utilization of (increase in) leasehold interest	(237,322)	(3,905,429)
Realized and unrealized gain on investments	(16,640)	300
(Increase) decrease in operating assets:		
Receivables	(176,461)	340
Prepays	(1,720)	4,704
Inventory	18,970	(8,243)
Increase (decrease) in operating liabilities:		
Accounts payable	(10,437)	15,155
Deferred revenue	-	(4,500)
Accrued liabilities	8,470	17,320
Contributions restricted for long-term purposes	(81,955)	-
Net cash provided (used) by operating activities	<u>335,428</u>	<u>655,098</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and improvements	(83,781)	(165,905)
Purchase of certificates of deposit	(159,375)	(250,754)
Proceeds from certificates of deposit	-	162,352
Net cash used by investing activities	<u>(243,156)</u>	<u>(254,307)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from forgivable loans	-	96,700
Net cash provided by financing activities	<u>-</u>	<u>96,700</u>
Net increase (decrease) in cash and cash equivalents	<b>92,272</b>	<b>497,491</b>
<b>Beginning cash and cash equivalents</b>	<u>702,885</u>	<u>205,394</u>
<b>Ending cash and cash equivalents</b>	<b>\$ <u>795,157</u></b>	<b><u>702,885</u></b>

See accompanying notes to financial statements.

SnowCap Community Charities  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2021

with summarized financial information for the year ended June 30, 2020

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Services</u>	<u>2021</u>	<u>2020</u>
Compensation and related expenses:					
Salaries	\$ 276,382	90,688	64,777	431,847	403,474
Employee benefits	60,981	20,609	14,483	96,073	102,086
Payroll taxes	25,930	8,508	6,077	40,515	41,925
	<u>363,293</u>	<u>119,805</u>	<u>85,337</u>	<u>568,435</u>	<u>547,485</u>
Client assistance	60,663	-	-	60,663	75,253
Distribution of donated food and other materials	2,171,644	-	-	2,171,644	3,037,681
Agency transfers	151,951	-	-	151,951	401,304
Discards	4,633	-	-	4,633	13,415
Insurance	14,616	2,924	1,949	19,489	15,499
Maintenance and equipment	17,156	1,789	1,789	20,734	14,191
Merchant and bank fees	-	-	9,839	9,839	6,458
Occupancy- donated space	296,160	14,071	14,071	324,302	264,937
Occupancy- utilities and maintenance	33,049	1,875	1,841	36,765	38,147
Professional fees and contract labor	34,795	10,050	2,952	47,797	39,646
Postage	5,708	24	1,891	7,623	12,256
Printing and media	5,331	1,110	716	7,157	9,895
Special events and mailers	875	-	5,090	5,965	28,489
Supplies and software	5,422	1,259	7,196	13,877	11,930
Training and conferences	4,569	171	2,882	7,622	4,247
Telephone	10,997	2,356	2,344	15,697	14,818
Transportation	11,667	434	434	12,535	6,094
Miscellaneous	1,356	1,245	925	3,526	4,985
	<u>3,193,885</u>	<u>157,113</u>	<u>139,256</u>	<u>3,490,254</u>	<u>4,546,730</u>
Loss on disposition of fixed assets	49,839	-	-	49,839	-
Depreciation	68,930	3,391	3,005	75,326	71,824
	<u>\$ 3,312,654</u>	<u>160,504</u>	<u>142,261</u>	<u>3,615,419</u>	<u>4,618,554</u>

See accompanying notes to financial statements.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) **Nature of operations and summary of significant accounting policies**

**Nature of operations:**

SnowCap Community Charities (SnowCap) is a philanthropic organization in East Multnomah County created to provide food, clothing, advocacy and other services to the poor. The corporation solicits a variety of in-kind gifts such as food, clothing, books, toys, and seeds from the community, and receives commodities from the United States Department of Agriculture (USDA). These gifts are used to plant gardens, teach classes, outfit children for school, but primarily to make up food boxes. Starting in the Spring of 2020, SnowCap has temporarily adjusted operations because of COVID-19. In order to allow social distancing, minimum volunteers and frequent sanitizing to focus on food assistance, operations have changed from a shopping style pantry with clothes closet to primarily food boxes. SnowCap is a founding member of the Oregon Food Bank, West Columbia Chamber of Commerce, Gresham Chamber of Commerce, East Portland Chamber of Commerce, and Ecumenical Ministries of Oregon.

SnowCap enjoys the support of approximately 1,000 dedicated volunteers, 9 paid staff and many local givers. During the year ended June 30, 2021, SnowCap served 92,395 East County individuals in need (115,927 in the prior year).

**Accounting policies:**

The organization keeps its books on the accrual method of accounting.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Donations of food (including USDA) and clothing during the year ended June 30, 2021 are recorded at their estimated fair market values of \$1.25 and \$3.75 per pound. Food and clothing inventory balances at June 30, 2021 were recorded at the same respective values. The majority of the food come through the Oregon Food Bank, which are USDA products, donated and purchased food. The rest come from local grocery stores and the general public.

A substantial number of volunteers have donated approximately 13,111 hours (31,027 in the prior year) to the organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the



SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(1) Nature of operations and summary of significant accounting policies  
(continued)

services do not require specialized skills. Donated professional services, primarily computer consulting, are recorded at their estimated fair market value.

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The organization's cash balances are deposited in checking and money market accounts of several banks and are covered by federal insurance on bank accounts. Management believes the organization is not exposed to any significant credit risk on cash.

The certificates of deposit are recorded at cost, which approximates market value. The certificates bear interest ranging from 0.01 to 3.445 percent and have maturities ranging from three to thirty-six months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Cash restricted for long-term purposes has been restricted by donors and is not available for operating purposes.

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair market value at the time of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long these assets must be maintained, the organization reports expirations of donor restrictions when the donated asset is placed in service or when the cash is expended towards the intended purpose. Net assets with donor restrictions are reclassified to net assets without restrictions at that time.

All acquisitions of property and equipment, and all expenditures for repairs, maintenance, and betterments over \$1,000 that materially prolong the useful lives of assets are capitalized. Lesser amounts are expensed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

Vacation pay is charged to expense when earned.

Under the company's pension plan, SnowCap annually contributes five percent of the employee's gross salary. All employees that are employed half time or more are eligible after six months of employment. During the year, contributions of \$20,179 were charged to current operations (\$20,080 in the prior year).

The costs of advertising the organization's programs are expensed as incurred.

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(1) **Nature of operations and summary of significant accounting policies (continued)**

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs such as salaries, occupancy, and office expenses have been allocated on the basis of estimates of time and effort among the functions benefited. Directly identifiable expenses are charged to programs and supporting services.

The organization provides additional utility assistance in partnership with Heat Oregon. SnowCap provides the administrative screening of eligible families and Heat Oregon makes the assistance payments directly to the utility companies.

The Organization achieves some of its programmatic and management and general goals in direct mail campaigns and newsletters that include requests for contributions. The costs of conducting those campaigns included a total of \$9,758 of joint costs that are not directly attributable to either the program or management and general components or the fund-raising component of the activities. Those joint costs were allocated as follows:

Program Services	\$	5,459
Fund-raising		4,299
Management and General		-
	\$	<u>9,758</u>

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

SnowCap Community Charities is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). SnowCap's form 990, Return of Organization Exempt from Income Tax returns for the year ending June 30, 2020, 2019 and 2018 are subject to examination by the IRS, generally 3 years after they were filed. SnowCap believes that it has support for any tax positions taken, and such, does not have any uncertain tax positions that are material to the financial statements.

The financial statements include certain prior-year summarized comparative information in total but not by functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles, and accordingly should be read with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(2) Property and equipment**

As of June 30, 2021, property and equipment consists of the following:

Equipment	\$	35,174
Leasehold improvements		43,841
Building		637,290
Building furnishings		52,926
Warehouse equipment		230,130
Vehicles		298,072
Greenhouse/garden improvements		16,373
Software		-
New Warehouse Prelim Costs		115,510
		1,429,316
Accumulated depreciation		(758,302)
	\$	671,014

**(3) Lease commitments**

In May 1996, the organization signed a lease agreement for a tract of land for a term of forty years with an annual payment of \$1. In November 2017, a second ground lease agreement for the garden space expired and was then renewed, with an annual payment of \$50 for three years. In January 2014, an addendum was signed for additional space used by the organization to extend the warehouse, and as a private park area. For a 40-year term beginning in July 2019, a new lease was signed for a separate tract of land with a base rent of \$1 annually, for a new multi-use building. Also see note 4.

The Organization has an operating lease for a copier and fifteen phones with a sixty-month term. The rental portion of the payments for this lease was \$8,096 for the year ended June 30, 2021 (\$7,935 in the prior year). Future minimum payments under this lease contract include all service, training and periodic maintenance, and are as follows.

2022	\$	23,700
2023		17,775
	\$	41,475

In the effort to reduce traffic at its warehouse, SnowCap started using a facility in Gresham to store clothing beginning in April 2021. The storage facilities are provided at no cost but based on current market rates, the Organization would have paid \$15,500 monthly for the space. This facility is leased on a short-term basis, and is cancellable by either party.

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(4) Leasehold interest**

As of June 30, 2021, the organization had the following leasehold rights: 1) the use of a tract of land through April 2036 where the original building and warehouse were built on; 2) an additional tract of land used partly to extend the original warehouse and the rest as a park area through 2036; and 3) a separate tract of land where two multiuse buildings are planned to be built in two phases, through June 2059.

The land lease #3 above is the foundation of a capital campaign to relocate SnowCap's clothing program, add warehouse and community space and assure a long-term home for SnowCap.

The present value for the above is based on current fair market rent of \$272,458 annually (\$264,935 value in the prior year) over their respective lease terms, using a 4.5% discount rate for the first land lease, 3.14% for the second, and 2.5% for the third. The first two leases cover property adjacent to each other, while the third is in a separate location.

The total leasehold interest amounts are classified as follows:

Future leasehold rights	\$ 5,266,415
Less current portion - twelve months	<u>(264,448)</u>
Leasehold interest - non-current	<u>\$ 5,001,967</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>		
2022	\$	264,448
2023		256,689
2024		249,173
2025		241,891
2026		234,835
Thereafter		<u>4,019,379</u>
	\$	<u>5,266,415</u>

**(5) Net assets**

Generally, the financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are board designations of sums to assure adequate financing of certain plans. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions would be classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from "Net assets with restrictions" to "Net assets without restrictions". As of June 30, 2021, net assets consist of:

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(5) Net assets (continued)**

**Without donor restrictions**

Designated:

Invested in building and equipment	\$ 671,014
Fundraising fund	20,538
Quasi-endowment fund (note 6)	60,846
New warehouse project	700,000
Undesignated	<u>823,566</u>
<b>Total</b>	<b>\$ 2,275,964</b>

**With donor restrictions**

Restricted for:

Endowment	6,931
Food	66,898
Donated facilities available	5,266,415
Pet food fund	13,702
New warehouse project	243,840
Miscellaneous	<u>25,217</u>
<b>Total</b>	<b><u>5,623,003</u></b>
<b>Total net assets</b>	<b>\$ <u>7,898,967</u></b>

**(6) Beneficial interest in assets held by the community foundation**

The Board of Directors has established an account with the Oregon Community Foundation (OCF), designated as Quasi-Endowment funds. The organization has granted OCF variance power over these funds, which gives OCF's Board of Directors the power to use the funds for other purposes in certain circumstances. The beneficial interest in assets held at the OCF has been valued, as a practical expedient, at the fair value of the Organization's share of OCF's investment pool as of the measurement date. OCF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of OCF, which includes private placements and other securities for which prices are not readily available, are determined by the management of OCF and may not reflect amounts that could be realized upon immediate sale, not amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The following is a summary of assets held at fair value at June 30, 2021:

SnowCap Community Charities

NOTES TO FINANCIAL STATEMENTS, Continued

(6) **Beneficial interest in assets held by the community foundation (continued)**

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held at				
OCF	\$ 60,846	\$ -	\$ -	\$ 60,846
Total	\$ 60,846	\$ -	\$ -	\$ 60,846

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance at June 30, 2020	\$ 44,425
Share of appreciation of fund	16,421
Distributions received	-
Balance at June 30, 2021	\$ 60,846

(7) **Forgivable loans under the Paycheck Protection Program**

In response to the coronavirus (COVID 19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act, that among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May 2020, SnowCap obtained a PPP loan for \$96,700, which is included in the Current Liabilities section of the Statement of Financial Position. The loan matures in May 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. SnowCap believes it used all of the proceeds from the note for qualifying expenses and in July 2021 requested that the loan be forgiven. This application was approved in the same month, and therefore the organization will recognize income on forgiveness of the loan in the subsequent year.

(8) **Grants and Pledges Receivable**

Receivables as of June 30, 2021 are for the electric van (\$14,576) and the new warehouse project (\$161,885). The latter is receivable over the next 5 years discounted at 2%. The unamortized discount is \$6,847 as of June 30, 2021.

SnowCap Community Charities

**NOTES TO FINANCIAL STATEMENTS, Continued**

**(8) Grants and Pledges Receivable (continued)**

Receivable in less than one year	\$ 78,308
Receivable in one to five years	<u>105,000</u>
Total grants and pledges receivable	183,308
Less discounts to net present value	<u>(6,847)</u>
Net unconditional grants and pledges receivable	\$ 176,461

**(9) Subsequent events**

See PPP loan forgiveness above.

Management has evaluated subsequent events through November 5, 2021, the date that the financial statements were available to be issued.