

VASHON MAURY COMMUNITY FOOD BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015



VASHON MAURY COMMUNITY FOOD BANK

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Vashon Maury Community Food Bank
Vashon, Washington

We have reviewed the accompanying statement of financial position of Vashon Maury Community Food Bank as of December 31, 2016 and 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Jeffrey D. Cole, Certified Public Accountant
Vashon, Washington
May 15, 2017

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VASHON MAURY COMMUNITY FOOD BANK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 & 2015

	2016	2015
ASSETS		
Current		
Cash and cash equivalents - unrestricted	\$ 244,057	\$ 334,829
Cash and cash equivalents - restricted	5,750	8,112
Certificates of deposit - board designated	100,067	49,918
Pledges receivable	21,168	14,653
Prepaid expenses	3,924	3,148
Total current assets	374,966	410,660
Long-term		
Certificates of deposit - board designated	99,682	99,797
Property and equipment		
Cost	101,932	99,481
Accumulated depreciation	(92,326)	(91,508)
Total property and equipment (net)	9,606	7,973
Total assets	484,254	518,430
LIABILITIES		
Current		
Accounts payable and accruals	843	6,063
Wages and deductions payable	593	558
Deferred revenue	4,206	-
Total current liabilities	5,642	6,621
Total liabilities	5,642	6,621
NET ASSETS		
Unrestricted	263,007	295,224
Board designated	199,749	200,000
Net investment in property and equipment	9,606	7,973
Total unrestricted	472,362	503,197
Temporarily restricted by use	6,250	8,612
Permanently restricted	-	-
Total net assets	478,612	511,809
Total liabilities and net assets	\$ 484,254	\$ 518,430

VASHON MAURY COMMUNITY FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016 & 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:						
Contributions:						
Food	\$ 507,314	\$ 500	\$ 507,814	\$ 483,376	\$ 500	\$ 483,876
Local individuals	131,768	4,750	136,518	128,358	1,200	129,558
Local businesses	10,834	-	10,834	9,331	-	9,331
Local non-profit organizations	3,990	-	3,990	1,365	-	1,365
Foundation grants	67,679	-	67,679	69,366	-	69,366
Governmental grants	11,204	-	11,204	10,981	-	10,981
Interest	1,685	-	1,685	1,120	-	1,120
Other	2,158	-	2,158	69	-	69
Net assets released from restrictions:						
Satisfaction of program restrictions:	7,612	(7,612)	-	30,941	(30,941)	-
Total revenues, gains, and other support:	744,244	(2,362)	741,882	734,907	(29,241)	705,666
Expenses:						
Program services	701,079		701,079	684,058	-	684,058
Management and general	55,262		55,262	35,488	-	35,488
Fundraising	18,738		18,738	21,572	-	21,572
Total expenses	775,079	-	775,079	741,118	-	741,118
Change in net assets	(30,835)	(2,362)	(33,197)	(6,211)	(29,241)	(35,452)
Net assets at beginning of year	503,197	8,612	511,809	509,408	37,853	547,261
Net assets at end of year	\$ 472,362	\$ 6,250	\$ 478,612	\$ 503,197	\$ 8,612	\$ 511,809

VASHON MAURY COMMUNITY FOOD BANK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016 & 2015

	2016	2015
Operating activities:		
Net income	\$ (33,197)	\$ (35,452)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	818	5,049
(Increase) decrease in:		
Pledges receivable	(6,515)	8,331
Prepaid expenses	(776)	(671)
Increase (decrease) in:		
Accounts payable and accruals	(5,220)	(907)
Wages and deductions payable	35	558
Deferred revenue	4,206	-
	(7,452)	12,360
Net cash provided (used) by operating activities	(40,649)	(23,092)
Investing activities:		
Purchase of property and equipment	(2,451)	(2,063)
Purchase of short-term investments	(50,034)	-
Sale of long-term investments	-	50,285
Net cash provided (used) by investing activities	(52,485)	48,222
Increase (decrease) in cash and cash equivalents	(93,134)	25,130
Cash and equivalents (deficiency):		
Beginning of period	342,941	317,811
End of period	\$ 249,807	\$ 342,941
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ -	\$ -
Gift in kind contributions	\$ 507,814	\$ 483,876

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

1. Summary of Significant Accounting Policies

Nature of Operations

Vashon Maury Community Food Bank (the Food Bank) informally began its operations in the 1970's, serving the Vashon and Maury Island communities out of the basement of a local church. In December, 1991 the Food Bank was granted exemption from Federal Income Tax under Internal Revenue Code Section 501 (c)(3). The Food Bank is incorporated in the State of Washington.

In 2016, the Food Bank served nearly 11.5 % of Vashon Island's population with needed groceries. The Food Bank provided food for approximately 1,370 unique individuals in 629 households in the Vashon and Maury Communities through distribution three times weekly. The Food Bank is the recipient of in-kind groceries and also purchases needed staples including eggs, soy/rice milk, meats, low sodium/sugar products, as well as much needed diapers.

Additionally, 3,275 pounds of fresh grown produce was produced in 2016 on a two acre farm and Food Bank garden.

The Food Bank launched a new program in 2014 to help feed children during the school district summer break. The program, Picnics in the Park, served 2,717 free lunches to 465 children and youth in 2016. The program also provided daily activities, thanks to many volunteers, the local library and the Parks Department.

Basis of Accounting

The financial statements of the Food Bank have been prepared on the accrual basis and report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At December 31, 2016 and 2015, the Food Bank had no permanently restricted net assets.

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations (restriction) that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant revenue is recognized as the Food Bank fulfills its substantive eligibility requirements for entitlement to such revenue. Such requirements may include the expenditure of funds for specific program costs or revenue matching requirements.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Food Bank considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables consist primarily of pledges receivable and amounts due from various Food Banks and individuals. Pledges receivable are unconditional promises to give that are recognized as revenues and as assets, decreases of liabilities, or expenses depending on the form of benefits received, in the period pledged. All account balances are unsecured and are due in less than one year. Historically, pledges receivable have been fully collectible from the donor and management believes all pledges to be collectible in the current year, therefore they have made no provision for uncollectible pledges has been recognized.

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Purchased property and equipment is capitalized at cost as well as all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the general ledger, and any resulting gain or loss is recognized in the period incurred. Management has established a capitalization policy whereby all property and equipment with a useful life of one year more and meets or exceeds \$1,000 is capitalized.

Depreciation of property and equipment is calculated using the straight line method over the estimated useful lives of the assets as follows:

Vehicles	3 - 5 years
Farm improvements	5 - 10 years
Office furniture and improvements	3 years

A half year's depreciation is taken in the year of acquisition and disposition. Maintenance and repairs are charged to operations as incurred.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation and reported as increases in unrestricted net assets 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 restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

1. Summary of Significant Accounting Policies (continued)

Donated Food

The Food Bank calculated food donations based on the number of pounds of food received and distributed. The dollar value per pound of food is established by the State of Washington Emergency Food Assistance Program (EFAP) at \$1.73 and \$1.66 per pound for fiscal years 2016 and 2015, respectively. This method was applied consistently during the fiscal year under review, and is not expected to be materially different from that determined using a more detailed measurement of the donation's fair value.

Expense Allocation

The costs of providing programs and activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Shipping and Handling Costs

Freight paid on purchases of merchandise related to the Food Bank's use is considered part of program or supporting expenses depending on the nature of the purchase.

Income Taxes / Uncertain Tax Positions

The Food Bank is a not-for-profit Food Bank that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, the Food Bank is not taxed on income derived from its exempt functions. Therefore, no provision has been made for income taxes in the accompanying financial statements. In addition, the Food Bank qualified for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Food Bank other than a private foundation under Section 509(a)(2).

The Food Bank has evaluated its tax positions for all open tax years, and management believes all tax positions would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the period ended December 31, 2016 and 2015.

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

2. Cash and Cash Equivalents

The Food Bank maintains cash in three separate banking institutions, each of which are insured by the Federal Deposit Insurance Corporation up to \$250,000. For the period ended December 31, 2016 and 2015, the cash balances on hand were \$204,807 and \$342,941, respectively. The bank balances in these accounts at December 31, 2016 and 2015, were \$231,431 and \$324,001, respectively. As of December 31, 2016 and 2015, no balances exceeded the federal insurance limit in any one bank.

3. Property and Equipment are comprised of the following:

	2016	2015
Automobiles	\$ 42,928	\$ 42,928
Farm improvements	11,738	9,287
Office furniture and equipment	1,158	1,158
Manufacturing equipment	16,890	16,890
Leasehold improvements	29,218	29,218
	<u>101,932</u>	<u>99,481</u>
Less: accumulated depreciation	(92,326)	(91,508)
	<u>\$ 9,606</u>	<u>\$ 7,973</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following as of December 31, 2016:

	Beginning Balance	Additions	Releases	Ending Balance
Temporarily restricted for use:				
Food purchases	\$ 500	\$ 500	\$ (500)	\$ 500
Summer meals program	-	2,000	-	2,000
Food bank farm	7,112	-	(7,112)	-
Service project	-	250	-	250
Promoting healthy foods	-	2,500	-	2,500
Information technology support	1,000	-	-	1,000
	<u>\$ 8,612</u>	<u>\$ 5,250</u>	<u>\$ (7,612)</u>	<u>\$ 6,250</u>

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

4. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets consists of the following as of December 31, 2015:

	Beginning Balance	Additions	Releases	Ending Balance
Temporarily restricted for use:				
Food purchases	\$ 500	\$ 500	\$ (500)	\$ 500
Summer meals program	2,975	-	(2,975)	-
Food bank farm	19,694	200	(12,782)	7,112
Restricted for future use	14,583	-	(14,583)	-
Other	101	1,000	(101)	1,000
	<u>\$ 37,853</u>	<u>\$ 1,700</u>	<u>\$ (30,941)</u>	<u>\$ 8,612</u>

5. Operating Lease Commitments

The Food Bank leases its office space, warehouse, and other improved and unimproved land at 10030 SW 210th Street, for \$874 due monthly as of December 31, 2016, with an annual 3% escalating clause. The 60 month lease was initiated on May 1, 2013, and expires on April 30, 2018, and provides for an optional month to month term upon expiration. The lease requires the Food Bank to pay all executory costs such as maintenance and insurance. Total lease cost for the year ended December 31, 2016 and 2015, was \$10,288 and \$10,088, respectively.

Future minimum lease payments are:

Year	Amount
2017	\$ 10,704
2018	3,603
2019	-
2020	-
2021	-
thereafter	-
	<u>\$ 14,307</u>

The Food Bank entered into a lease agreement on February 4, 2014, to use real property as a garden plot to grow food for community needs at no monthly cost. The Food Bank is required to maintain liability insurance for the duration of the lease term. The lease expires January 31, 2019.

VASHON MAURY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 & 2015

5. Operating Lease Commitments (continued)

Additionally, one acre of real property is provided by a donor for the operation of the Food Bank's farm and garden near its Sunrise Ridge location. No in-kind contribution or rent expense has been recognized in the financial statements as the amount is not considered significant to the financial statements as a whole.

6. Food Distributed to the Community

The Food Bank distributes food that it has received from a variety of sources, including donated, purchased, and freshly grown food. Donated food is valued at \$1.73 and \$1.66 per pound for the fiscal years 2016 and 2015 respectively, as described in Note 1. Although the Food Bank can generally purchase many food items at discounted rates, the value of the purchased food to the community is considered to be the same as donated food. Produce grown by the Food Bank is valued at \$4 per pound.

The number of pounds, value, and cost of distributed food is as follows for the year ended December 31, 2016:

	Pounds	Value	Cost
Donated	318,913	\$ 551,719	\$ 502,524
Purchased	19,002	32,874	31,036
Grown	3,275	13,099	-
Total	<u>341,190</u>	<u>\$ 597,692</u>	<u>\$ 533,560</u>

The number of pounds, value, and cost of distributed food is as follows for the year ended December 31, 2015:

	Pounds	Value	Cost
Donated	291,490	\$ 483,876	\$ 483,876
Purchased	32,605	54,125	34,640
Grown	1,300	5,198	-
Total	<u>325,395</u>	<u>\$ 543,199</u>	<u>\$ 518,516</u>

7. Subsequent events

Subsequent events were evaluated through the date of the independent accountants' review report, which is the date the financial statements were available to be issued.

Supplemental Information

VASHON MAURY COMMUNITY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program				Supporting Services		
	Food Distribution	Picnics in the Park	Farm & Garden	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 57,139	\$ 11,944	\$ 28,989	\$ 98,072	\$ 31,913	\$ 13,557	\$ 143,542
Employee benefits	1,914	450	450	2,814	3,486	1,200	7,500
Payroll taxes	8,844	374	2,275	11,493	1,495	481	13,469
Subtotal - personnel	<u>67,897</u>	<u>12,768</u>	<u>31,714</u>	<u>112,379</u>	<u>36,894</u>	<u>15,238</u>	<u>164,511</u>
Groceries distributed	529,903	3,657	-	533,560	-	-	533,560
Contracted & professional services	992	-	-	992	10,621	92	11,705
Rent	10,058	-	-	10,058	355	85	10,498
Equipment repair	2,550	-	1,179	3,729	411	-	4,140
Travel and transportation	5,012	114	174	5,300	-	-	5,300
Occupancy	7,583	-	351	7,934	15	5	7,954
Insurance	4,866	-	-	4,866	1,963	-	6,829
Printing	3,617	778	-	4,395	-	1,367	5,762
Depreciation	240	-	433	673	72	74	819
Telephone	999	-	25	1,024	3,085	63	4,172
Volunteer and staff hospitality	1,735	-	368	2,103	46	-	2,149
Conferences	634	-	317	951	-	60	1,011
Postage	675	-	-	675	241	996	1,912
Supplies	1,560	591	9,630	11,781	448	89	12,318
Computer parts and supplies	-	-	-	-	665	-	665
Bank fees	-	-	-	-	221	440	661
Dues and memberships	220	-	-	220	225	220	665
Advertising and promotion	140	108	191	439	-	9	448
Total expenses	<u>\$ 638,681</u>	<u>\$ 18,016</u>	<u>\$ 44,382</u>	<u>\$ 701,079</u>	<u>\$ 55,262</u>	<u>\$ 18,738</u>	<u>\$ 775,079</u>

VASHON MAURY COMMUNITY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Supporting Services</u>			
	<u>Program</u>	<u>Management and</u>		<u>Total</u>
		<u>General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 85,497	\$ 18,392	\$ 15,481	\$ 119,370
Employee benefits	2,570	1,884	1,615	6,069
Payroll taxes	8,435	1,815	1,527	11,777
Subtotal - personnel	96,502	22,091	18,623	137,216
Groceries distributed	524,590	-	-	524,590
Contracted & professional services	4,651	8,637	-	13,288
Rent	10,088	-	-	10,088
Equipment repair	8,616	453	-	9,069
Travel and transportation	8,358	85	85	8,528
Occupancy	6,169	717	287	7,173
Insurance	4,237	1,731	-	5,968
Printing	3,771	-	1,774	5,545
Depreciation	4,797	101	151	5,049
Telephone	3,094	233	-	3,327
Volunteer and staff hospitality	3,184	-	-	3,184
Conferences	2,124	262	-	2,386
Postage	1,100	173	454	1,727
Office supplies	1,119	126	12	1,257
Computer parts and supplies	1,056	119	11	1,186
Bank fees	-	711	-	711
Dues and memberships	432	49	5	486
Advertising and promotion	170	-	170	340
Total expenses	\$ 684,058	\$ 35,488	\$ 21,572	\$ 741,118