

BALLARD FOOD BANK

Financial Statements
September 30, 2020 and 2019

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**GREENWOOD,
OHLUND & CO.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ballard Food Bank
Seattle, Washington

We have audited the accompanying financial statements of Ballard Food Bank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, 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 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 Ballard Food Bank as of September 30, 2020, 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.

Prior Period Financial Statements

The financial statements of Ballard Food Bank as of September 30, 2019, were audited by other auditors whose report dated January 16, 2020, expressed an unmodified opinion on those statements.

Greenwood, Ohlund & Co.

Seattle, Washington
January 20, 2021

BALLARD FOOD BANK

STATEMENTS OF FINANCIAL POSITION September 30, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 1,881,692	\$ 416,568
Contributions receivable	86,309	35,950
Food inventory	70,662	84,280
Prepaid expenses and other assets	32,043	23,014
Total current assets	2,070,706	559,812
Cash and Cash Equivalents Restricted for Capital Campaign	3,319,238	-
Cash and Cash Equivalents Designated for Capital Campaign	-	88,167
Board-Designated Investments	1,018,109	2,225,626
Capital Campaign Contributions Receivable, net of discount	1,122,674	1,860,028
Property and Equipment, net	5,483,611	4,650,724
Total assets	<u>\$ 13,014,338</u>	<u>\$ 9,384,357</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 241,605	\$ 64,019
Accrued payroll and benefits	69,183	36,172
Current portion of loans payable	49,430	-
Total current liabilities	360,218	100,191
Loans Payable, net	1,064,164	1,000,819
Total liabilities	1,424,382	1,101,010
Net Assets		
Without donor restrictions	6,435,249	4,695,706
With donor restrictions	5,154,707	3,587,641
Total net assets	11,589,956	8,283,347
Total liabilities and net assets	<u>\$ 13,014,338</u>	<u>\$ 9,384,357</u>

See accompanying notes to financial statements.

BALLARD FOOD BANK

STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 2,715,855	\$ 86,309	\$ 2,802,164	\$ 961,392	\$ 42,257	\$ 1,003,649
Government grants	302,056	-	302,056	211,464	-	211,464
Special events	299,708	-	299,708	255,002	-	255,002
Special events - cost of direct benefit to donor	(46,840)	-	(46,840)	(47,620)	-	(47,620)
In-kind contributions	3,595,068	-	3,595,068	2,607,073	-	2,607,073
Other income	20,000	-	20,000	1,000	-	1,000
Investment return	133,855	-	133,855	65,733	-	65,733
Net assets released from restrictions	42,258	(42,258)	-	84,209	(84,209)	-
Total public support and revenue	7,061,960	44,051	7,106,011	4,138,253	(41,952)	4,096,301
Expenses						
Program services	4,633,893	-	4,633,893	3,451,928	-	3,451,928
Management and general	157,071	-	157,071	126,941	-	126,941
Fundraising	531,453	-	531,453	376,035	-	376,035
Total expenses	5,322,417	-	5,322,417	3,954,904	-	3,954,904
Change in net assets from operating activities	1,739,543	44,051	1,783,594	183,349	(41,952)	141,397
Non-Operating Activities						
Contributions and government grants - Capital Campaign	-	1,523,015	1,523,015	-	3,182,453	3,182,453
Bad debts - Capital Campaign contributions	-	-	-	-	(2,000)	(2,000)
Change in net assets	1,739,543	1,567,066	3,306,609	183,349	3,138,501	3,321,850
Net Assets, beginning of year	4,695,706	3,587,641	8,283,347	4,512,357	449,140	4,961,497
Net Assets, end of year	\$ 6,435,249	\$ 5,154,707	\$ 11,589,956	\$ 4,695,706	\$ 3,587,641	\$ 8,283,347

BALLARD FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 410,901	\$ 21,609	\$ 240,300	\$ 672,810	\$ 331,521	\$ 21,871	\$ 152,061	\$ 505,453
Payroll taxes	34,955	1,795	20,531	57,281	62,709	4,137	21,449	88,295
Employee benefits	53,283	-	20,616	73,899	29,140	1,922	13,557	44,619
Total salaries and related expenses	499,139	23,404	281,447	803,990	423,370	27,930	187,067	638,367
In-kind food	3,587,661	-	-	3,587,661	2,446,393	-	-	2,446,393
Food purchases	283,306	-	-	283,306	261,979	-	-	261,979
Occupancy	105,946	20,205	43,164	169,315	131,411	2,766	4,150	138,327
Professional fees	430	55,501	105,749	161,680	22,771	68,668	145,657	237,096
Emergency financial assistance	128,207	-	-	128,207	97,179	-	-	97,179
Office expenses	2,337	13,242	95,159	110,738	600	2,896	41,364	44,860
Event food, entertainment and other	-	-	46,840	46,840	-	-	30,873	30,873
Information technology	1,881	15,459	2,533	19,873	1,560	16,625	2,848	21,033
Insurance	-	19,144	-	19,144	10,334	2,584	1,435	14,353
Supplies	17,586	1,016	-	18,602	18,241	3,968	3,477	25,686
Depreciation and amortization	-	7,034	2,979	10,013	7,036	-	2,979	10,015
Vehicles, equipment and maintenance	7,312	1,677	29	9,018	24,986	1,038	-	26,024
Miscellaneous	88	389	393	870	6,068	466	3,805	10,339
Total expenses	4,633,893	157,071	578,293	5,369,257	3,451,928	126,941	423,655	4,002,524
Less: Special events - cost of direct benefit to donor	-	-	(46,840)	(46,840)	-	-	(47,620)	(47,620)
	<u>\$ 4,633,893</u>	<u>\$ 157,071</u>	<u>\$ 531,453</u>	<u>\$ 5,322,417</u>	<u>\$ 3,451,928</u>	<u>\$ 126,941</u>	<u>\$ 376,035</u>	<u>\$ 3,954,904</u>

See accompanying notes to financial statements.

BALLARD FOOD BANK

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from:		
Donors and other	\$ 3,373,569	\$ 1,328,815
Interest and dividends	82,678	218,276
Cash paid to:		
Personnel	(639,799)	(498,316)
Suppliers and others	(902,524)	(840,940)
Net cash flows from operating activities	1,913,924	207,835
Cash Flows from Investing Activities		
Purchase and construction of property and equipment	(842,900)	(3,554,527)
Proceeds from sale of investments	2,537,797	2,735,872
Purchase of investments	(1,279,103)	(905,259)
Net cash flows from investing activities	415,794	(1,723,914)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for the Capital Campaign	2,260,369	1,589,503
Proceeds from issuances of loans	146,516	-
Debt issuance costs	(40,408)	(10,000)
Net cash flows from financing activities	2,366,477	1,579,503
Net change in cash and cash equivalents	4,696,195	63,424
Cash and cash equivalents, beginning of the year	504,735	441,311
Cash and cash equivalents, end of the year	\$ 5,200,930	\$ 504,735
Cash and Cash Equivalents, end of year, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 1,881,692	\$ 416,568
Cash and cash equivalents restricted for the Capital Campaign	3,319,238	-
Cash and cash equivalents designated for the Capital Campaign	-	88,167
Cash and cash equivalents, end of the year	\$ 5,200,930	\$ 504,735
Supplemental Cash Flow Information		
Loans payable issued for the purchase of property	\$ -	\$ 1,010,819

See accompanying notes to financial statements.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

The Ballard Food Bank (the Organization) is a non-profit organization established in the 1970s to assist individuals and families in maintaining self-sufficiency by providing assistance for basic needs. The Organization provides free food and personal hygiene items to households in need and persons experiencing homelessness in northwest Seattle across seven zip codes. The service area includes the neighborhoods of Magnolia, Queen Anne, Ballard, and parts of South Lake Union and was recently expanded to include the neighborhoods of Fremont, Phinney Ridge, Greenwood, Greenlake, and Licton Springs. The Organization also provides emergency financial assistance for utilities, housing, and State of Washington identification cards. The Organization serves as a community hub by helping clients navigate resources in the community and connecting them to partner agencies they can see on-site or a warm connection to a partner agency for an off-site visit. Through these collaborative partnerships, the Organization is able to reduce barriers clients experience in accessing critical resources and help clients move toward self-sufficiency.

For the year ended September 30, 2020, the Organization distributed more than 2.0 million pounds of food. Over the first 5 months of the fiscal year the Organization operated its grocery-style food bank and home delivery program. With COVID-19 the organization pivoted and moved to distributing food through safer, socially distanced or no-contact methods including a drive-thru in its parking lot, a home delivery program, and a no-cook window for neighbors who are homeless. With this innovation the organization nearly doubled the number of visits and deliveries from 3,200 in February to 6,257 in September. During the year ended September 30, 2020, the Organization had 56,559 visits and deliveries, nearly 50% more than the 2018-19 fiscal year. The Weekend Food for Kids Program provided approximately 17,100 bags of meals and snacks for the entire weekend to 600 students in 20 schools during the school year, including distributing 733 weekend bags through meal sites and partner schools. In addition, 558 individuals were provided assistance through the Finance Assistance Program where they received utility and rental assistance. While the overall number of people served is lower, more people received assistance with rent this year. This is due to COVID and the Department of Licensing being closed, the Organization provided fewer DOL Vouchers for IDs. This year the Organization's efforts have been focused on meeting the increased demand due to COVID-19 as well as ensuring the safety of their clients, volunteers and staff during this crisis.

Capital Campaign – In 2018, the Organization embarked on a fundraising campaign with the goal of raising funds to acquire land and build its future home (the Capital Campaign).

After the purchase of the property at 1400 NW Leary Way, Seattle in 2019, just several blocks away from the current facility, the Organization embarked on designing and building a new facility. The Organization hired an architecture firm to design the facility to host its grocery-style food bank, community hub and a café. The move will double the Organization's footprint and expand its capacity to serve more neighbors, who are struggling to keep up with Seattle's cost of living. Despite COVID-19, the Organization is deemed an essential business and the project has been recognized as essential and accordingly has received the permitting necessary to move forward. In September 2020 the Organization broke ground on the new facility. The Organization is now in the process of building the new facility with an anticipated completion date of September 2021 with a move in date of October 2021 (coinciding with the expiration of the lease on its current facility, see Note 8).

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NOTES TO FINANCIAL STATEMENTS

The Organization has outlined fundraising goals that coincide with the project and construction milestones to reach a projected total project cost of \$13.9 million. To date the Organization has invested its own funds into the new space and raised funds through foundations, businesses, individuals and public sources. The Organization is on track to raise the remaining funds over the next year. In 2020, the Organization received a construction loan (see Note 5) to facilitate the start of constructing and to bridge funds that are generated through its Capital Campaign. If needed at the time of completion the construction loan will convert to financing that will be paid off through capital pledge payments and fundraising.

Use of Estimates

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

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 Organization are reported in each of the following two classes: without donor restrictions and with donor restrictions. The net assets of the Organization are classified as follows:

- Net assets without donor restrictions are available without restriction for support of the Organization's operations. The Board of Directors has designated certain net assets without donor restrictions for certain purposes (see Note 4) at September 30, 2020 and 2019.
- Net assets with donor restrictions. Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions and grants restricted for particular programs or time periods. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met. Net assets with donor restrictions are as follows at September 30:

	2020	2019
Capital Campaign	\$ 5,068,398	\$ 3,545,383
Time restrictions	86,309	25,065
Turkey Trot	-	17,193
	<u>\$ 5,154,707</u>	<u>\$ 3,587,641</u>

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

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NOTES TO FINANCIAL STATEMENTS

Contributions that the donor requires to be used to acquire long-lived assets (e.g., land acquisition, building construction and improvements, furniture, fixtures, and equipment) are reported as net assets with donor restrictions. When the long-lived asset is placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

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 market 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.

Cash and Cash Equivalents and Restricted Cash

The Organization considers all cash accounts and money market funds (including those designated for the Capital Campaign) to be cash equivalents except when such assets are invested within the Organization's investment portfolio. At times, amounts may exceed federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

In 2020, the Organization deposited all cash received from contributions to the Capital Campaign, as well as certain cash designated by the Board of Directors for the Capital Campaign, into a control account with a bank. The bank has control over the account and disburses funds based on approved construction draw requests.

Contributions Receivable and Revenue

Unconditional promises to give (contributions receivable), including those received at special events, are recognized as revenues in the period the promise to give is received. Contributions receivable that are expected to be collected in one year are recorded at net realizable value. Pledges receivable over periods in excess of one year are initially recorded at fair value, and in arriving at fair value, management has discounted these contributions using donor-specific discount rates. Amortization of the present value discounts is included in contribution revenue.

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NOTES TO FINANCIAL STATEMENTS

Contributions receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management does not believe an allowance for uncollectible amounts is necessary at September 30, 2020 or 2019.

At September 30, 2020, contributions from one donor represented 41% of total contributions receivable. At September 30, 2019, contributions from three donors represent 84% of total contributions receivable. During the year ended September 30, 2019, contributions and government grants from two donors and a government agency represented 34% of total support and revenue (including capital contributions). During the year ended September 30, 2020, there were no concentrations of contributions or government grants.

Food Inventory and In-kind Food Contributions

Food inventory consists entirely of unused donated food that will be provided to persons in need. Inventory is stated at the lower of cost or net realizable value. 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 \$1.67/lb through June 2019, and \$1.75/lb thereafter. The total value of donated food for the year ended September 30, 2020 and 2019, was \$3,574,042 and \$2,530,673, respectively, and is included in in-kind contribution revenue on the statement of activities.

Investments and Investment Income

Investments in mutual funds and treasury bonds are stated at fair value using Level 1 inputs in the fair value hierarchy (observable market inputs such as quoted prices in active markets for identical assets). Investment income is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses.

Property and Equipment

The Organization capitalizes assets with a cost greater than \$5,000. Purchased property and equipment is carried at cost. Donated property and equipment are recorded at fair value when received. Depreciation of vehicles and equipment is computed using the straight-line method based on estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements have been amortized over the shorter of the useful lives of the assets or the remaining lease term at the time of purchase.

Impairment of Long-Lived Assets

Financial Accounting Standards Board Accounting Standards Codification 360, "Property, Plant and Equipment," requires the Organization to review long-lived assets, such as fixed assets and leasehold improvements, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments recognized in 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS

Government Grants

Revenues from government grants (including those received for the Capital Campaign) are recognized when the service is provided or the related qualified expenditure is incurred. Revenue from 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 September 30, 2020 and 2019, no such adjustments were made.

In-Kind Contributions (non-food)

Volunteers have donated substantial amounts of their time to the Organization's programs. In accordance with generally accepted accounting principles, such amounts are not valued unless the services create or enhance a non-financial asset (e.g., property, plant, and equipment) or unless the services would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. During the years ended September 30, 2020 and 2019, the Organization received in-kind professional fees of \$21,026 and \$73,900, respectively, related to services performed in relation to construction in progress (see Note 5). These services have been capitalized to construction in progress related to the 1400 Leary building.

Operating and Non-Operating Activities

Operating activities represent support and revenues and expenses solely related to the operations of and fundraising for the Organization's ongoing programs. Non-operating activities relate to contributions received for the Capital Campaign.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. During the year ended September 30, 2019, the Organization had no unrelated business income and, accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated on a square-footage basis, as well as salaries and related expenses, professional fees, office expenses, and other, which are allocated on the basis of estimates of time and effort.

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NOTES TO FINANCIAL STATEMENTS

Recent Issued Accounting Pronouncements

ASU 2016-18, Statement of Cash Flows

During the year ended September 30, 2020, Ballard Food Bank adopted the provisions of ASU 2016-18, Statement of Cash Flows, (Topic 230). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash (including designations of cash), and requires that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts presented on the statements of cash flows. The adoption of this ASU did not have a material effect on the Organization's financial statements. The ASU has been applied retrospectively to all periods presented.

ASU 2018-08, Clarification of Contributions

The Organization adopted the provisions of ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination of the nature of the transaction which will then govern the revenue recognition methodology and timing of the transaction. The ASU will assist in the determination of the nature of the transaction. The ASU is effective for contributions received by the Organization in periods beginning after December 15, 2018. The adoption of this update did not impact contribution revenues or fees from government agencies in the financial statements.

Reclassifications

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

Subsequent Events

Management of the Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was January 20, 2021.

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NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of September 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include cash restricted for the Capital Campaign and contributions receivable from donors restricted for the Capital Campaign.

	2020	2019
Financial Assets		
Cash and cash equivalents (including those restricted and designated for the Capital Campaign)	\$ 5,200,930	\$ 504,735
Contributions receivable, net (including those restricted for the Capital Campaign)	1,208,983	1,895,978
Board-designated investments	1,018,109	2,225,626
	7,428,022	4,626,339
Less: Amounts Not Available to be Used Within One Year		
Board-designated cash and cash equivalents and investments	(1,018,109)	(2,313,793)
Cash and cash equivalents restricted for the Capital Campaign	(3,319,238)	-
Capital Campaign contributions receivable, net of discount	(1,122,674)	(1,860,028)
	<u>\$ 1,968,001</u>	<u>\$ 452,518</u>

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NOTES TO FINANCIAL STATEMENTS

Note 3 – Contributions Receivable

Contributions receivable consist of the following at September 30:

	2020	2019
Gross receivable due in less than one year	\$ 1,138,863	\$ 1,473,486
Gross receivable due in one to five years	73,464	426,689
Total gross contributions receivable	1,212,327	1,900,175
Less: discount on contributions receivable (2%)	\$ (3,344)	(4,197)
Contributions receivable, net	<u>\$ 1,208,983</u>	<u>\$ 1,895,978</u>

These amounts are recorded in the statements of financial position as follows at September 30:

	2020	2019
Current contributions receivable	\$ 86,309	\$ 35,950
Capital Campaign contributions receivable, net	1,122,674	1,860,028
	<u>\$ 1,208,983</u>	<u>\$ 1,895,978</u>

Note 4 – Board-Designated Cash and Cash Equivalents and Investments

Board-designated net assets have been designated for the following purposes at September 30:

	2020	2019
Operating reserve	\$ 728,101	\$ 668,440
Quasi-endowment	-	901,553
Capital Campaign	217,118	493,800
Capacity building and special projects	150,000	150,000
Capital assets	100,000	100,000
	<u>\$ 1,195,219</u>	<u>\$ 2,313,793</u>

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NOTES TO FINANCIAL STATEMENTS

Board-designated net assets consist of the following assets at September 30, as recorded on the statements of financial position:

	2020	2019
Cash and cash equivalents restricted for the Capital Campaign	\$ 177,110	\$ -
Cash and cash equivalents designated for the Capital Campaign	-	88,167
Board-designated investments	1,018,109	2,225,626
	<u>\$ 1,195,219</u>	<u>\$ 2,313,793</u>

Board-designated investments are composed of the following at September 30:

	2020	2019
Cash and cash equivalents	\$ 5,799	\$ 254,217
Equity mutual funds	535,324	996,748
Bond mutual funds	476,986	811,965
Treasury bonds	-	162,696
	<u>\$ 1,018,109</u>	<u>\$ 2,225,626</u>

Note 5 – Property and Equipment

Property and equipment consist of the following at September 30:

	2020	2019
Leasehold improvements	\$ 286,448	\$ 286,448
Vehicles	65,640	65,640
Equipment	48,520	48,520
	<u>400,608</u>	<u>400,608</u>
Less: accumulated depreciation and amortization	(389,392)	(379,378)
	<u>11,216</u>	<u>21,230</u>
Construction in progress - 1400 Leary Building	1,089,011	246,110
Land - 1400 Leary	4,383,384	4,383,384
	<u>\$ 5,483,611</u>	<u>\$ 4,650,724</u>

At September 30, 2020, the Organization has outstanding construction commitments of approximately \$5,800,000 related to the 1400 Leary building construction.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Note 6 – Loans Payable

2019 Land Loan

In September 2019, to assist in the purchase of land (see Note 5), the Organization obtained a loan with a bank (the 2019 Land Loan) with a maximum borrowing capacity of \$2,000,000. During the year ended September 30, 2019, the Organization borrowed \$1,010,819 under the Land Loan, which is reported net of unamortized debt issuance costs of \$10,000 on the statement of financial position at September 30, 2019.

In August 2020, the Organization refinanced the 2019 Land Loan through the issuance of a loan with a bank (the 2020 Construction Loan). The 2020 Construction Loan has a maximum borrowing capacity of \$4,756,111, with a draw period through August 31, 2021, and will provide financing for any costs of construction of the new building at 1400 Leary not financed by existing reserves or Capital Campaign contributions. During the year ended September 30, 2020, the Organization drew \$1,036,775 from the 2020 Construction Loan, including refinancing of the 2019 Land Loan and payment of outstanding interest and debt issuance costs. The 2020 Construction Loan is reported net of unamortized debt issuance costs of \$43,741 at September 30, 2020.

Monthly interest only payments are due through September 1, 2021, and beginning October 1, 2021, principal and interest payments of \$25,105 are due through August 1, 2031, with all remaining principal and interest due and payable at maturity on September 30, 2031. The Organization incurred and paid (and capitalized to the building project) \$43,755 on the 2019 Land Loan during the year ended September 30, 2020.

The 2020 Construction Loan bears interest at 4.0% through September 1, 2021. Interest from September 1, 2021 through maturity is determined based on the higher of 4.0% or a variable rate of the Five-Year Treasury Constant Maturity plus a margin of 2.5% at September 1, 2021 through September 1, 2026. At September 1, 2026, the variable interest rate is adjusted to the higher of 4.0% or the Five-Year Treasury Constant Maturity plus a margin of 2.75% at September 1, 2026 through maturity of September 1, 2031.

The 2020 Construction Loan is collateralized by a deed of trust on the 1400 Leary property, vehicles and equipment, an assignment of rents, and the bank account controlled by the bank (restricted cash, see Note 1).

Paycheck Protection Program Loan

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 27, 2020, the Organization obtained a loan under the PPP (the PPP Loan) with a principal balance of \$120,560 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning 10 months after the last day of the covered period, on May 1, 2021 through the maturity date of the PPP Loan on April 1, 2022.

All or a portion of the PPP Loan may be forgiven if certain terms and conditions of the program are met. To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case the Organization will be required to repay the amount that is not forgiven. For the year ended September 30, 2020, management has not yet concluded that these conditions have been met (nor has the lender awarded forgiveness), and therefore, no amounts have been forgiven.

Loans payable are as follows at September 30:

	2020	2019
2020 Construction Loan	\$ 1,036,775	\$ -
2019 Land Loan	-	1,010,819
PPP Loan	120,560	-
	1,157,335	1,010,819
Unamortized debt issuance costs	(43,741)	(10,000)
	<u>\$ 1,113,594</u>	<u>\$ 1,000,819</u>

Loans payable are presented on the statements of financial position as follows at September 30:

	2020	2019
Current portion of loans payable	\$ 49,430	\$ -
Loans payable, net	1,064,164	1,000,819
	<u>\$ 1,113,594</u>	<u>\$ 1,000,819</u>

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Future minimum principal payments on the Organization's 2020 Construction Loan and PPP Loan are as follows (assuming no additional draws are made on the 2020 Construction Loan and the PPP Loan is not forgiven) for the years ending September 30:

2021	\$ 49,430
2022	335,733
2023	275,384
2024	286,603
2025	210,185
	<u>\$ 1,157,335</u>

Note 7 – Board-Designated Quasi-Endowment

The Board of Directors originally designated \$2,000,000 of net assets without donor restrictions as a quasi-endowment fund (the Endowment Fund) to support the Organization's food purchases. During the year ended September 30, 2019, the Board of Directors approved expenditures from the Endowment Fund of up to \$2,000,000 for the acquisition and development of the Organization's new location, and during the year ended September 30, 2020, appropriated all remaining funds for this purpose.

Changes in the Endowment Fund are as follows for the year ended September 30:

Endowment Fund net assets, September 30, 2018	\$ 2,007,133
Endowment Fund investment return	
Interest and dividends	108,026
Realized and unrealized losses	<u>(117,248)</u>
Total Endowment Fund investment losses	(9,222)
Appropriations	<u>(1,096,358)</u>
Endowment Fund net assets, September 30, 2019	901,553
Endowment Fund investment return	
Interest and dividends	35,708
Realized and unrealized gains	<u>22,548</u>
Total Endowment Fund investment gains	58,256
Appropriations	<u>(959,809)</u>
Endowment Fund net assets, September 30, 2020	<u>\$ -</u>

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Note 8 – Lease Commitment

The Organization has a non-cancelable operating lease for the rental of its food bank and office space through October 31, 2021. Rent expense (excluding any executory costs) under this lease was \$90,372 and \$93,438 for the years ended September 30, 2020 and 2019. Future minimum rental payments are \$96,504 and \$8,042 for the years ended September 30, 2021 and 2022, respectively.