

BALLARD FOOD BANK

Financial Statements
September 30, 2022 and 2021

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Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ballard Food Bank
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Ballard Food Bank (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Ballard Food Bank as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years 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 Ballard Food Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Ballard Food Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Amanda O'Rourke, CPA
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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 Ballard Food Bank'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 Ballard Food Bank'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
February 16, 2023

BALLARD FOOD BANK

STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 5,605,123	\$ 6,557,621
Contributions receivable	366,712	501,467
Food inventory	88,214	74,401
Prepaid expenses and other assets	25,763	38,880
Total current assets	6,085,812	7,172,369
Board-Designated Investments	978,503	1,145,148
Property and Equipment, net	12,509,732	12,074,085
Total assets	<u>\$ 19,574,047</u>	<u>\$ 20,391,602</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 106,048	\$ 1,440,518
Accrued payroll and benefits	120,957	92,094
Total liabilities	227,005	1,532,612
Net Assets		
Without donor restrictions	19,079,549	18,479,675
With donor restrictions	267,493	379,315
Total net assets	19,347,042	18,858,990
Total liabilities and net assets	<u>\$ 19,574,047</u>	<u>\$ 20,391,602</u>

See accompanying notes to financial statements.

BALLARD FOOD BANK

STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
In-kind contributions	\$ 3,992,906	\$ -	\$ 3,992,906	\$ 4,655,863	\$ -	\$ 4,655,863
Contributions	3,507,552	2,500	3,510,052	3,114,372	250,000	3,364,372
Government grants	423,904	-	423,904	799,666	-	799,666
Special events	195,632	-	195,632	90,676	17,042	107,718
Special events - cost of direct benefit to donor	(44,148)	-	(44,148)	(10,959)	-	(10,959)
Investment return	(143,062)	-	(143,062)	143,314	-	143,314
Net assets released from restrictions	114,322	(114,322)	-	86,309	(86,309)	-
Total support and revenue	8,047,106	(111,822)	7,935,284	8,879,241	180,733	9,059,974
Expenses						
Program services	6,623,615	-	6,623,615	6,173,805	-	6,173,805
Management and general	355,476	-	355,476	165,562	-	165,562
Fundraising	468,141	-	468,141	695,419	-	695,419
Total expenses	7,447,232	-	7,447,232	7,034,786	-	7,034,786
Change in net assets from operating activities	599,874	(111,822)	488,052	1,844,455	180,733	2,025,188
Non-Operating Activities						
Contributions and government grants - Capital Campaign	-	-	-	-	5,243,846	5,243,846
Net assets released from restriction - Capital Campaign	-	-	-	10,199,971	(10,199,971)	-
Change in net assets	599,874	(111,822)	488,052	12,044,426	(4,775,392)	7,269,034
Net Assets, beginning of year	18,479,675	379,315	18,858,990	6,435,249	5,154,707	11,589,956
Net Assets, end of year	\$ 19,079,549	\$ 267,493	\$ 19,347,042	\$ 18,479,675	\$ 379,315	\$ 18,858,990

See accompanying notes to financial statements.

BALLARD FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 795,426	\$ 144,959	\$ 234,752	\$ 1,175,137	\$ 532,229	\$ 23,393	\$ 296,012	\$ 851,634
Payroll taxes	68,571	12,159	19,939	100,669	44,170	1,814	24,091	70,075
Employee benefits	99,538	9,931	22,110	131,579	73,573	85	29,150	102,808
Total salaries and related expenses	963,535	167,049	276,801	1,407,385	649,972	25,292	349,253	1,024,517
In-kind food	3,974,693	-	-	3,974,693	4,652,125	-	-	4,652,125
Food purchases	809,846	-	-	809,846	473,407	-	-	473,407
Emergency financial assistance	309,239	-	-	309,239	219,840	-	-	219,840
Depreciation and amortization	251,151	2,644	10,575	264,370	-	4,299	1,821	6,120
Professional fees	69,403	86,896	83,076	239,375	6,040	55,008	164,091	225,139
Office expenses	10,661	11,495	76,707	98,863	3,947	18,258	94,313	116,518
Supplies	90,935	1,367	16	92,318	31,325	-	-	31,325
Occupancy	84,282	887	3,549	88,718	108,908	23,584	14,809	147,301
Event food, entertainment and other	-	-	54,460	54,460	-	-	10,959	10,959
Insurance	-	49,513	-	49,513	-	15,377	-	15,377
Information technology	11,466	32,400	5,411	49,277	19,734	20,710	1,600	42,044
Miscellaneous	37,754	3,159	482	41,395	48	1,892	69,269	71,209
Vehicles, equipment and maintenance	10,650	66	1,212	11,928	8,459	1,142	263	9,864
Total expenses	6,623,615	355,476	512,289	7,491,380	6,173,805	165,562	706,378	7,045,745
Less: Special events - cost of direct benefit to donor	-	-	(44,148)	(44,148)	-	-	(10,959)	(10,959)
	<u>\$ 6,623,615</u>	<u>\$ 355,476</u>	<u>\$ 468,141</u>	<u>\$ 7,447,232</u>	<u>\$ 6,173,805</u>	<u>\$ 165,562</u>	<u>\$ 695,419</u>	<u>\$ 7,034,786</u>

See accompanying notes to financial statements.

BALLARD FOOD BANK

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from:		
Donors and other	\$ 4,264,343	\$ 3,736,038
Interest and dividends	45,842	35,234
Cash paid to:		
Personnel	(1,146,274)	(828,723)
Suppliers and others	(2,159,137)	(1,535,046)
Net cash flows from operating activities	1,004,774	1,407,503
Cash Flows from Investing Activities		
Purchase and construction of property and equipment	(1,935,013)	(5,361,598)
Proceeds from sale of investments	57,697	656,014
Purchase of investments	(79,956)	(674,973)
Net cash flows from investing activities	(1,957,272)	(5,380,557)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for the Capital Campaign	-	6,366,520
Payments on loans payable	-	(1,036,775)
Net cash flows from financing activities	-	5,329,745
Net change in cash and cash equivalents	(952,498)	1,356,691
Cash and Cash Equivalents, beginning of the year	6,557,621	5,200,930
Cash and Cash Equivalents, end of the year	\$ 5,605,123	\$ 6,557,621
Supplemental Non-Cash Investing Activity		
Purchases of property and equipment included in accounts payable	\$ -	\$ 1,234,996

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 a food bank, meal program and a community resource hub. Anyone living in Seattle may visit the food bank to shop for free groceries in the market-style food bank or hot soup, grilled sandwiches or salads at the Kindness Cafe. The Organization serves as a community resource 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. In addition, clients can receive vouchers to obtain State of Washington identification cards. Through these collaborative partnerships, the Organization works to reduce barriers clients experience in accessing critical resources and help clients move toward self-sufficiency. For households living in the neighborhoods of Magnolia, Queen Anne, Ballard, Fremont, Phinney Ridge, Greenwood, Greenlake, and Licton Springs and parts of South Lake Union additional services are available, including home delivery, Weekend Food for Kids and emergency financial assistance for utilities and housing.

For the year ended September 30, 2022, the Organization distributed more than 2.5 million pounds of food. Due to COVID and inflation the organization is experiencing double the number of visits and deliveries. With this innovation, the Organization nearly doubled the number of visits and deliveries averaging 3,200 before COVID and is now averaging 6,200 a month. Between October 2021 and September 2022, the Organization had a total of 69,483 visits and deliveries. The Organization opened the Kindness Café, which provided 42,000 meals in its first year. The Organization distributed 14,979 bags of food to approximately 450 students in the Seattle area. The Organization's Community Resource Hub had a total of 1,569 touchpoints with clients, which included 474 rental assistance to prevent homelessness, 9 rent deposits, 31 utilities, 702 ID License vouchers, and 1,818 bus tickets to more than 303 individuals. 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.

The Organization moved to the new building in the beginning of October 2021 and held its grand opening on October 18, 2021. The Organization was officially out of its prior facility by the end of October 2021, which coincided with its lease-end date.

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.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Net assets without donor restrictions are available without restriction for support of the Organization's operations. The Board of Directors has designated the following net assets without donor restrictions at September 30:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 728,503	\$ 895,148
Capacity building and special projects	150,000	150,000
Capital assets	<u>100,000</u>	<u>100,000</u>
	<u>\$ 978,503</u>	<u>\$ 1,145,148</u>

Board-designated net assets consist of investments of \$978,503 and \$1,145,148 as of September 30, 2022 and 2021, respectively, as recorded on the statements of financial position.

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:

	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 267,493	\$ 362,273
Turkey Trot	<u>-</u>	<u>17,042</u>
	<u>\$ 267,493</u>	<u>\$ 379,315</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.

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.

Cash and Cash Equivalents

The Organization considers all cash accounts and money market funds 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.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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. 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, 2022 or 2021.

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.

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 \$1.75/lb. through June 30, 2021, and \$1.82/lb. thereafter. The total value of donated food for the years ended September 30, 2022 and 2021, was \$3,992,906 and \$4,655,863, respectively, and is included in in-kind contribution revenue on the statement of activities.

Investments and Investment Return

Investments in mutual funds 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 return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses, net of investment fees.

BALLARD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Investments (held for board-designated purposes) are composed of the following at September 30:

	2022	2021
Cash and cash equivalents	\$ 2,056	\$ 9,858
Equity mutual funds	418,217	597,318
Bond mutual funds	558,230	537,972
	\$ 978,503	\$ 1,145,148

Property and Equipment

The Organization capitalizes assets with a cost greater than \$5,000 and a useful life greater than one year. Purchased property and equipment is recorded at cost. Donated property and equipment is 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. Buildings are depreciated over an estimated useful life of 39 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.

Property and equipment consist of the following at September 30:

	2022	2021
1400 Leary Building	\$ 7,969,902	\$ 7,445,971
Leasehold improvements	-	286,448
Equipment	288,973	178,605
Vehicles	226,989	175,189
	8,485,864	8,086,213
Less: accumulated depreciation and amortization	(359,516)	(395,512)
	8,126,348	7,690,701
Land - 1400 Leary	4,383,384	4,383,384
	\$ 12,509,732	\$ 12,074,085

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 for the excess carrying amount. There were no impairments recognized during the years ended September 30, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS

Government Grant Revenue

Revenues from government grants are recognized when the grant becomes unconditional (generally when 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, 2022 and 2021, 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. No such in-kind services were provided during the years ended September 30, 2022 and 2021.

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, which was completed during the year ended September 30, 2021.

Income Taxes

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

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.

Subsequent Events

Management of the Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was February 16, 2023.

BALLARD FOOD BANK

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, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 5,605,123	\$ 6,557,621
Contributions receivable	366,712	501,467
Board-designated investments	<u>978,503</u>	<u>1,145,148</u>
	6,950,338	8,204,236
Less: Amounts Not Available to be Used Within One Year		
Board-designated cash and cash equivalents and investments	<u>(978,503)</u>	<u>(1,145,148)</u>
	<u>\$ 5,971,835</u>	<u>\$ 7,059,088</u>