



FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

NOURISH PIERCE COUNTY

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INDEPENDENT AUDITOR'S REPORT

April 2, 2019

To the Board of Directors
Nourish Pierce County
Tacoma, Washington

I have audited the accompanying financial statements of Nourish Pierce County (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nourish Pierce County as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Mary Jane Dubbs
Certified Public Accountant
University Place, Washington

NOURISH PIERCE COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	470,598	886,360
Grants receivable	66,980	11,783
Contributions receivable	127,671	94,068
Food inventory	572,610	638,941
Prepaid expenses	13,360	7,250
Right-of-use assets, current	82,137	-
Total current assets	<u>1,333,356</u>	<u>1,638,402</u>
Property and equipment		
Leasehold improvements	492,865	469,213
Equipment	207,726	120,578
Vehicles	456,722	254,038
Less: accumulated depreciation	<u>(416,045)</u>	<u>(410,566)</u>
Total property and equipment	741,268	433,263
Other assets		
Cash restricted for property & equipment	-	262,367
Investments	525,020	445,986
Right-of-use asset, net of current	<u>121,861</u>	<u>-</u>
Total other assets	<u>646,881</u>	<u>708,353</u>
TOTAL ASSETS	<u><u>2,721,505</u></u>	<u><u>2,780,018</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	58,787	12,091
Accrued liabilities	18,516	22,478
Lease liabilities, current	<u>82,137</u>	<u>-</u>
Total current liabilities	159,440	34,569
Long-term liabilities		
Lease liabilities, net of current portion	<u>116,361</u>	<u>-</u>
TOTAL LIABILITIES	275,801	34,569
Net assets		
Without donor restrictions	2,358,204	2,412,582
With donor restrictions	<u>87,500</u>	<u>332,867</u>
TOTAL NET ASSETS	<u><u>2,445,704</u></u>	<u><u>2,745,449</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,721,505</u></u>	<u><u>2,780,018</u></u>

NOURISH PIERCE COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND OTHER REVENUES						
Support:						
Grants - private	440,434	65,000	505,434	305,498	140,000	445,498
Grants - government	339,526		339,526	136,936		136,936
Contributions	510,405	-	510,405	703,256	192,867	896,123
Special Events, net of cost of \$83,948 (2017 - \$84,339)	86,139	-	86,139	93,175	-	93,175
In-kind food contributions	9,594,836	-	9,594,836	10,051,097	-	10,051,097
Revenue:						
Earnings on investments	7,316	-	7,316	9,555	-	9,555
Gains and losses	(24,906)	-	(24,906)	-	-	-
Net assets released from restrictions	-			-		
Passage of time	48,000	(48,000)	-	-	-	-
Purpose fulfilled	262,367	(262,367)	-	-	-	-
TOTAL REVENUES	11,264,117	(245,367)	11,018,750	11,299,517	332,867	11,632,384
EXPENSES						
Program services	10,871,379	-	10,871,379	10,914,503	-	10,914,503
Administrative services	228,678	-	228,678	257,407	-	257,407
Fundraising	218,438	-	218,438	196,147	-	196,147
TOTAL EXPENSES	11,318,495	-	11,318,495	11,368,057	-	11,368,057
CHANGES IN NET ASSETS	(54,378)	(245,367)	(299,745)	(68,540)	332,867	264,327
NET ASSETS, BEGINNING OF YEAR	2,412,582	332,867	2,745,449	2,481,122	-	2,481,122
NET ASSETS, END OF YEAR	2,358,204	87,500	2,445,704	2,412,582	332,867	2,745,449

NOURISH PIERCE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Administrative services	Fundraising	Total		Administrative services	Fundraising	Total
Food	9,964,159	-	-	9,964,159	10,169,968	-	-	10,169,968
Vehicle expenses	34,616	-	-	34,616	44,738	-	-	44,738
Salaries	482,490	74,605	130,369	687,464	402,368	78,775	124,308	605,451
Payroll taxes	44,015	7,063	12,342	63,420	38,813	7,599	11,991	58,403
Employee benefits	78,726	11,233	22,975	112,934	68,426	13,284	20,551	102,261
Bank fees	-	10,065	535	10,600	-	7,597	872	8,469
Insurance	22,538	1,299	-	23,837	14,070	1,200	-	15,270
Occupancy	126,369	24,439	-	150,808	91,235	24,457	-	115,692
Postage	-	-	7,167	7,167	-	-	6,445	6,445
Printing	-	-	16,917	16,917	15	-	9,646	9,661
Professional services	1,033	40,835	-	41,868	3,970	80,856	-	84,826
Public relations	246	11,679	8,062	19,987	46	12,470	10,228	22,744
Repairs	17,302	2,615	-	19,917	12,346	846	-	13,192
Supplies	13,754	26,393	18,825	58,972	13,804	8,414	12,106	34,324
Telephone	11,073	11,328	-	22,401	10,692	10,009	-	20,701
Training	18	4,243	1,246	5,507	85	5,070	-	5,155
Travel	835	1,022	-	1,857	2,070	1,033	-	3,103
Miscellaneous	225	1,859	-	2,084	1,390	5,797	-	7,187
Depreciation	73,980	-	-	73,980	40,467	-	-	40,467
TOTAL EXPENSES	10,871,379	228,678	218,438	11,318,495	10,914,503	257,407	196,147	11,368,057

NOURISH PIERCE COUNTY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	1,288,304	1,431,768
Cash paid to suppliers and employees	(1,597,583)	(1,512,830)
Earnings on investments	23,323	9,555
Net cash used by operating activities	(285,956)	(71,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(123,447)	(445,986)
Purchase of vehicles	(271,177)	(65,000)
Purchase of equipment	(87,148)	(17,646)
Payments for leasehold improvements	(23,652)	-
Payment for right-of-use assets	(5,500)	-
Net cash used by investing activities	(510,924)	(528,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for property and equipment	118,751	335,000
Net cash provided by financing activities	118,751	335,000
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(678,129)	(265,139)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,148,727	1,413,866
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	470,598	1,148,727

NOURISH PIERCE COUNTY NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of the Organization

Nourish Pierce County formerly known as FISH Food Banks of Pierce County (“the Organization”) was incorporated in November 1982 under the laws of the State of Washington. This report reflects the financial activities of a central office and eight food banks under the direction of a board of directors.

Nature of Activities

The Organization provides food at no cost to recipients. Food is donated to the food banks or purchased with cash donations and grants. A central office provides administrative, community relations and fundraising services for all the food banks.

Basis of Accounting

The financial statements of the Organization have been prepared according to accounting principles generally accepted in the United States of America on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred, regardless of related cash flow timing.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

- *Without donor restrictions:* Net assets are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.
- *With donor restrictions:* Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor stipulated the funds be maintained in perpetuity.

The guidance was adopted during the current year. Accordingly, prior period adjustments were made to reclassify unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as net assets with donor restrictions and net assets without donor restrictions depending on the presence of absence of donor-imposed restrictions.

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents.

NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of credit history with donors having outstanding balances and current relationship with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Fair Value Disclosures

The fair value of financial instruments including cash and cash equivalents, accounts and pledges receivable, accounts payable and accrued expenses approximates the carrying values, principally because of the short maturity of those items. The fair value of notes approximates the carrying value, principally because of the maturity dates of the notes and the current terms applicable to each item.

Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy described below gives the highest priority to inputs used in level 1 measurements and the lowest priority to level 3 measurements.

Level 1: Unadjusted quoted prices in active markets for identical securities.

Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Significant unobservable inputs are used when little or no market data is available.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from five to twenty years.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a 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 statements of activities as net assets released from restrictions.

NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers providing services throughout the years were not recognized as contributions in the financial statement since the recognition criteria were not met.

Functional Expenses

Directly identifiable expenses are charged to program services or supporting services. Expenses related to more than one function are charged to program services and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the program.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. In addition, the Organization qualifies for charitable contribution deduction and has been classified as an organization other than a private foundation.

The Organization's federal information returns are subject to possible examination by the taxing authorities until the expiration of related statutes of limitations on those tax returns, which is generally three years.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE B – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

Program Services

Operation of several food banks for the collection and distribution of food to individuals and families throughout Pierce County.

Administrative Services

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; and manage the financial and budgetary responsibilities of the Organization.

**NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES – (Continued)

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

NOTE C – CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$255,127 and \$355,474 at December 31, 2018 and 2017, respectively, are included in cash and cash equivalents in the accompanying financial statements. The certificates bear interest ranging from 0.60% to 0.75% at December 31, 2018 and 2017. The certificates have maturities of fifteen to forty-nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE D – FOOD INVENTORY

Food inventory consist of:

	<u>2018</u>	<u>2017</u>
Purchased food, at cost	126,384	130,812
Donated food, at \$1.67/lb	<u>446,226</u>	<u>508,129</u>
Investments at end of year	<u>572,610</u>	<u>638,941</u>

NOTE E – INVESTMENTS

The investments consist of account in pooled investments at a community foundation which reports to participants the fund balances at fair market values. The pooled investments are invested in marketable equity securities and mutual funds with readily determinable fair values considered to be Level 1 in the fair value hierarchy.

Investments activity is reflected in the following table:

	<u>2018</u>	<u>2017</u>
Investments at beginning of year	445,986	-
Additional invested during the year	102,845	442,372
Interest and dividends, net	4,596	2,186
Gains (losses)	<u>(28,407)</u>	<u>1,428</u>
Investments at end of year	<u>525,020</u>	<u>445,986</u>

**NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE F – LEASE LIABILITIES

The Organization entered into an operating lease agreement for warehouse on May 2018 expiring in May 2021. A right-of-use (ROU) asset and lease liabilities are reflected on the statement of financial position in accordance with ASU 2016-02 requiring recognition of such assets and liabilities for leasing arrangements with a term longer than 12 months.

The lease liabilities consist of future lease payments discounted at 3%, which is the rate inherent in the lease. The ROU asset is measured at the carrying amount of the lease liabilities plus unamortized prepaid lease payment.

Rent expenses of \$118,082 and \$85,047 are included in occupancy for years ended December 31, 2018 and 2017, respectively. For years subsequent to 2018, annual future rental commitments are:

2019	83,574
2020	86,082
2021	<u>36,308</u>
Total minimum rent	205,964
Less: Discount	<u>(7,466)</u>
Total lease liabilities	198,498
Less: Lease liabilities, current	<u>(82,137)</u>
Lease liabilities, net of current portion	<u><u>116,361</u></u>

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, were available for:

	<u>2018</u>	<u>2017</u>
Purchase of equipment	-	262,367
Future periods	<u>87,500</u>	<u>70,500</u>
	<u><u>87,500</u></u>	<u><u>332,867</u></u>

NOTE H – RETIREMENT PLAN

The Organization maintains a retirement plan under Section 408(p) of the Internal Revenue Code. Under the SIMPLE plan, the company matches up to 3% of their wages. The employer contribution for the years ended December 31, 2018 and 2017 were \$17,124 and \$16,328, respectively.

**NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE I – RELATED PARTY TRANSACTIONS

A former board member designed the mobile food bank of the Organization which the Organization purchases. Related party vehicle purchases and repairs were \$53,706 and \$65,000 for the years ended December 31, 2018 and 2017, respectively.

The Organization purchases printing services from a company owned by a board member. Related party printing expenses were \$14,271 and \$20,098 for the year ended December 31, 2018 and 2017, respectively.

NOTE J – CREDIT RISKS

The Organization maintains cash balances in several financial institutions located in Tacoma, Washington which from time to time may exceed federally insured limits. The Organization had not incurred any losses for such uninsured balances. At December 31, 2018 and 2017, the Organization’s uninsured cash balances were \$5,254 and \$266,624 respectively.

Investments are held in pooled investments at a community foundation. Those balances are uninsured.

NOTE K – CONCENTRATIONS

The Organization received 48% and 49% of its support from Emergency Food Network for the years ended December 31, 2018 and 2017, respectively. A substantial reduction in the level of this support, if it were to occur, would have a significant effect on the Organization.

NOTE L – FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of financial statement date.

	<u>2018</u>	<u>2017</u>
Financial assets, at year-end	1,190,269	1,700,564
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(4,500)</u>	<u>(284,867)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>1,185,769</u>	<u>1,415,697</u>

Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in pooled investments at a community foundation.

**NOURISH PIERCE COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE M – RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	470,598	886,360
Cash restricted for property and equipment	<u>-</u>	<u>262,367</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>470,598</u>	<u>1,148,727</u>

NOTE N – PRIOR YEAR ADJUSTMENTS

Adoption of ASU 2016-14

A prior period adjustment is made to reclassify net assets under the net assets classification prescribed under ASU 2016-14, depending on the presence or absence of donor-imposed restrictions.

The opening balances were restated as a result of the prior period adjustments, as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>Restated</u>
Unrestricted net assets	2,412,582	(2,412,582)	-
Temporarily restricted net assets	332,867	(332,687)	
Net assets with donor restrictions	-	2,412,582	2,412,582
Net assets with donor restrictions	-	332,867	332,867

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 2, 2019, the date the financial statements were available for issue, and determined that no events have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.