

BREAD OF LIFE MISSION

FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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C e r t i f i e d P u b l i c A c c o u n t a n t s

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bread of Life Mission
Seattle, Washington

We have audited the accompanying financial statements of Bread of Life Mission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management 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 audits. We conducted our audits 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 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we 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 Bread of Life Mission as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended June 30, 2019, Bread of Life Mission adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.



Luby and Thomson, PLLC
Certified Public Accountants
Seattle, WA
October 17, 2019

BREAD OF LIFE MISSION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 258,259	\$ 194,117
Investments	942,231	659,300
Accounts and grants receivable	39,570	23,832
Prepaid expenses	-	7,000
Total current assets	<u>1,240,060</u>	<u>884,249</u>
Property and equipment, net	943,696	980,836
Office deposit	2,147	2,147
TOTAL ASSETS	<u>\$ 2,185,903</u>	<u>\$ 1,867,232</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 29,340	\$ 52,684
Accrued liabilities	17,688	18,923
Total current liabilities	<u>47,028</u>	<u>71,607</u>
NET ASSETS		
Without donor restrictions	2,003,673	1,711,671
With donor restrictions	135,202	83,954
Total net assets	<u>2,138,875</u>	<u>1,795,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,185,903</u>	<u>\$ 1,867,232</u>

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,237,607	\$ 211,663	\$ 1,449,270
In-kind contributions	448,888	-	448,888
Shelter revenue	243,933	-	243,933
Investment income	54,750	-	54,750
	1,985,178	211,663	2,196,841
Net assets releases:			
Satisfaction of restriction	160,415	(160,415)	-
	2,145,593	51,248	2,196,841
EXPENSES			
Program services			
Program and community outreach expenses	826,133	-	826,133
In-kind donations	438,888	-	438,888
Total program expenses	1,265,021	-	1,265,021
Management and general	195,262	-	195,262
Fundraising	393,308	-	393,308
Total expense	1,853,591	-	1,853,591
CHANGE IN NET ASSETS	292,002	51,248	343,250
NET ASSETS			
Beginning of the year	1,711,671	83,954	1,795,625
End of the year	\$ 2,003,673	\$ 135,202	\$ 2,138,875

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,065,277	\$ 173,213	\$ 1,238,490
In-kind contributions	778,941	-	778,941
Shelter revenue	211,598	-	211,598
Investment income	16,057	-	16,057
	2,071,873	173,213	2,245,086
Net assets releases:			
Satisfaction of restriction	120,868	(120,868)	-
	2,192,741	52,345	2,245,086
EXPENSES			
Program services			
Program and community outreach expenses	846,964	-	846,964
In-kind donations	778,941	-	778,941
Total program expenses	1,625,905	-	1,625,905
Management and general	209,751	-	209,751
Fundraising	329,358	-	329,358
Total expense	2,165,014	-	2,165,014
CHANGE IN NET ASSETS	27,727	52,345	80,072
NET ASSETS			
Beginning of the year	1,683,944	31,609	1,715,553
End of the year	\$ 1,711,671	\$ 83,954	\$ 1,795,625

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Payroll, payroll taxes, and benefits	\$ 407,810	\$ 95,561	\$ 149,838	\$ 653,209
In-kind donations	438,888	-	-	438,888
Newsletters and mailings	900	-	204,771	205,671
Depreciation	121,004	3,372	500	124,876
Utilities	90,020	325	-	90,345
Shelter and other program costs	64,167	318	2,289	66,774
Events	17,983	-	18,980	36,963
Professional fees	11,241	24,310	1,111	36,662
Insurance	30,823	3,749	-	34,572
Vehicle and transportation	29,869	2,972	47	32,888
Rent expense	-	31,300	-	31,300
Maintenance and repairs	26,170	-	-	26,170
Office expenses	6,807	15,153	530	22,490
Bank charges and merchant fees	4,790	3,384	5,724	13,898
Telephone	8,768	3,787	-	12,555
Advertising	-	-	9,331	9,331
Dues, subscriptions, and website	-	7,222	71	7,293
Taxes and licenses	5,018	170	-	5,188
Travel and entertainment	446	2,144	116	2,706
Conferences and training	-	399	-	399
Miscellaneous	317	1,096	-	1,413
	\$ 1,265,021	\$ 195,262	\$ 393,308	\$ 1,853,591

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Payroll, payroll taxes, and benefits	\$ 398,186	\$ 102,014	\$ 119,062	\$ 619,262
In-kind donations	778,941	-	-	778,941
Newsletters and mailings	-	-	177,678	177,678
Depreciation	133,116	3,687	503	137,306
Utilities	96,658	-	-	96,658
Shelter and other program costs	52,685	480	3,640	56,805
Events	18,801	-	8,881	27,682
Professional fees	9,090	24,915	1,786	35,791
Insurance	41,422	3,905	-	45,327
Vehicle and transportation	26,538	4,835	10	31,383
Rent expense	-	30,002	-	30,002
Maintenance and repairs	31,045	25	-	31,070
Office expenses	10,022	14,378	1,187	25,587
Bank charges and merchant fees	5,268	3,403	4,545	13,216
Telephone	15,498	3,194	292	18,984
Advertising	597	-	155	752
Dues, subscriptions, and website	135	9,243	10,448	19,826
Taxes and licenses	6,077	-	-	6,077
Travel and entertainment	1,533	5,390	1,171	8,094
Conferences and training	49	2,341	-	2,390
Miscellaneous	244	1,939	-	2,183
	\$ 1,625,905	\$ 209,751	\$ 329,358	\$ 2,165,014

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Cash received from grants and contributions	\$ 1,433,532	\$ 1,223,955
Cash received from shelter operations	243,933	211,598
Cash received from investment income	54,750	16,057
Cash paid to employees and suppliers	<u>(1,307,406)</u>	<u>(1,276,156)</u>
Net cash provided by operating activities	<u>424,809</u>	<u>175,454</u>
Cash flows from investing activities:		
Net purchase of investments	(282,931)	(115,983)
Purchase of equipment	<u>(77,736)</u>	<u>(10,499)</u>
Net cash provided by investing activities	<u>(360,667)</u>	<u>(126,482)</u>
Net increase (decrease) in cash	64,142	48,972
Cash, at beginning of year	<u>194,117</u>	<u>145,145</u>
Cash, at end of year	<u><u>\$ 258,259</u></u>	<u><u>\$ 194,117</u></u>
Supplemental schedule of cash flow information:		
Non-cash investing and financing activity:		
Donated property and equipment	\$ 10,000	\$ -

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. ORGANIZATION

The Bread of Life Mission (the Mission) is a Washington nonprofit corporation located in Seattle, Washington. The Mission operates as an evangelic Christian ministry providing meals, lodging, and employment assistance and training to homeless men in the Greater Seattle area. The men's shelter is located in facilities owned by the Mission. The Mission is supported primarily by contributions from the general public and a cross section of churches. A nominal fee is charged to individuals who receive lodging.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Mission are as follows:

Basis of Accounting and Presentation

The financial statements of the Mission have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Mission to report on the accrual basis of accounting and report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Mission. These net assets may be used at the discretion of the Mission's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. All of the Mission's net assets with donor restrictions are temporary in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

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

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Mission considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash and cash equivalents consist of checking and savings and accounts deposited with major financial institutions. At times, balances may exceed the federally insured limit. The Mission has not experienced any losses related to this risk.

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 inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The Mission reports its investments at fair value using Level 1 inputs.

Accounts and Grants Receivable

Receivables are stated at their outstanding principal balances. Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of any allowance. The Mission charges receivables off to the allowance when management determines that a receivable is not collectible. No allowance was considered necessary at June 30, 2019 or 2018. All receivable balances are due in less than one year.

As of June 30, 2019, 63% of all accounts and grants receivable was due from one source. There was no such concentration at June 30, 2018.

Property and Equipment

Property and equipment are stated at cost or an amount approximating cost. Property and equipment with a life of at least one year, and a cost or donated fair value in excess of \$1,000, are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives are 25 years for building and improvements, and 5 years for equipment and vehicles.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Mission receives revenue from grants, contributions, and shelter revenue. Revenue from these sources are recognized as follows:

Grants and contributions: Grants and contributions consist primarily of unconditional promises to give. Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are not recognized as support until the conditions are substantially met.

Shelter revenue: Shelter revenue is the result of exchange transactions for meals, lodging, and related items. Revenue from exchange transactions is recognized in the period the service for the exchanged benefit is performed. If payment is received in advance of services being performed, deferred revenue is recorded.

Donated Goods and Services

The Mission receives donated services from unpaid volunteers who assist in fundraising, office support, and special projects. No amounts have been recognized in the statement of activities because these contributed services do not meet the criteria for recognition.

The Mission receives donated food, clothing, and other goods which have been included in the accompanying statement of activities at their estimated fair values as required by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2019 and 2018, advertising costs were \$9,331 and \$752, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Individual expenses that solely relate to one program or supporting service are allocated in full to that category. Expenses that relate to multiple programs or supporting services are allocated as follows:

Payroll, payroll taxes, and benefits – employee time and effort.

Depreciation – use of the underlying assets.

Telephone – location of phone lines.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no impact on net income as previously stated.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Mission qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Mission has determined there are no uncertain tax positions for the years ended June 30, 2019 and 2018, and the accompanying financial statements contain no interest or penalties with respect to federal income taxes. The Mission's federal income tax returns remain open for examination to the extent prescribed by the Internal Revenue Code.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return. The Mission has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Mission's liquidity and availability at June 30:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 258,259	\$ 194,117
Investments	942,231	659,300
Accounts and grants receivable	39,570	23,832
Total financial assets	1,240,060	877,249
Less amounts not available to be used for general purposes within one year:		
Net assets with donor restrictions	135,202	83,954
	135,202	83,954
Financial assets available to meet general expenditures over the next twelve months	\$ 1,104,858	\$ 793,295

The Mission's goal is generally to maintain financial assets to meet 2 to 3 months of operating expenses (approximately \$250,000 to \$300,000). Cash and cash equivalents are held in readily available checking and savings accounts. In the event of liquidity issues, the Mission can sell investments for use in operations.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4. INVESTMENTS

Investments consist of the following at June 30:

	2019	2018
Bond mutual funds	\$ 527,861	\$ 439,485
Equity mutual funds	214,476	167,367
Exchange traded funds	45,011	41,947
Equities	2,979	-
Cash and cash equivalents	151,904	10,501
	\$ 942,231	\$ 659,300

Investment income consists of the following for the years ended June 30:

	2019	2018
Dividends and interest	\$ 30,797	\$ 21,224
Realized and unrealized losses	23,953	(5,167)
	\$ 54,750	\$ 16,057

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2019	2018
Land	\$ 25,000	\$ 25,000
Buildings and improvements	2,083,786	2,022,934
Office and other equipment	455,361	435,266
Vehicles	110,522	110,522
	\$2,674,669	\$2,593,722
Accumulated depreciation	(1,730,973)	(1,612,886)
	\$ 943,696	\$ 980,836

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following restrictions at June 30:

	2019	2018
Life Change Program	\$ -	\$ 15,000
Building renovations	135,202	68,954
	\$ 135,202	\$ 83,954

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from net assets with donor restrictions are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Life Change Program	\$ 15,000	\$ 15,000
Shelter and utilities	84,563	98,072
Building renovations	60,852	7,796
	<u>\$ 160,415</u>	<u>\$ 120,868</u>

NOTE 7. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Food	\$ 406,109	\$ 753,225
Clothing and other items	32,779	25,716
Property and equipment	10,000	-
	<u>\$ 448,888</u>	<u>\$ 778,941</u>

Food donations were received from one nonprofit organization which supplies food from various sources to food banks and shelters.

NOTE 8. EMPLOYEE BENEFIT PLAN

The Mission participates in a retirement plan for its ministerial and other personnel. During the years ended June 30, 2019 and 2018, the Mission made retirement contributions of \$7,200 per year on behalf of eligible employees.

NOTE 9. OPERATING LEASES

During 2016, the Mission signed a lease amendment agreement to extend the lease term of their office space for three years, through November 30, 2019. Rental expense under the office lease was \$31,300 and \$30,002 for the years ended June 30, 2019 and 2018, respectively.

Future minimum payments to be paid under the lease total \$13,080 during the year ended June 30, 2020.

NOTE 10. SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through the date these financial statements were available to be issued, which was October 17, 2019.