

BREAD OF LIFE MISSION

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FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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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

**Opinion**

We have audited the accompanying financial statements of Bread of Life Mission, which comprise the statements of financial position as of June 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 Bread of Life Mission as of June 30, 2022 and 2021, and the changes in its net assets 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 audits 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 Bread of Life Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Bread of Life Mission'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, including omissions, 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.

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 Bread of Life Mission'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 Bread of Life Mission'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.

*Luby + Thomson*

Luby and Thomson, PLLC  
Certified Public Accountants  
Bellevue, Washington  
May 2, 2023

BREAD OF LIFE MISSION

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 431,206	\$ 386,012
Investments	1,802,609	1,810,077
Accounts and grants receivable	5,251	5,395
Prepaid expenses	8,297	8,297
Total current assets	<u>2,247,363</u>	<u>2,209,781</u>
Property and equipment, net	1,051,490	1,027,568
Office deposit	2,147	2,147
TOTAL ASSETS	<u>\$ 3,301,000</u>	<u>\$ 3,239,496</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 14,962	\$ 22,098
Accrued liabilities	14,767	24,216
Total current liabilities	<u>29,729</u>	<u>46,314</u>
NET ASSETS		
Without donor restrictions	3,163,363	3,035,978
With donor restrictions	107,908	157,204
Total net assets	<u>3,271,271</u>	<u>3,193,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,301,000</u>	<u>\$ 3,239,496</u>

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

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STATEMENT OF ACTIVITIES AND NET ASSETS  
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,661,742	\$ 704	\$ 1,662,446
In-kind contributions	451,019	-	451,019
Shelter revenue	89,709	-	89,709
Insurance proceeds	6,796	-	6,796
Loss on disposal of fixed assets	(1,484)	-	(1,484)
Investment income	(207,223)	-	(207,223)
	2,000,559	704	2,001,263
Net assets releases:			
Satisfaction of restriction	50,000	(50,000)	-
	2,050,559	(49,296)	2,001,263
<b>EXPENSES</b>			
Program services			
Program and community outreach expenses	805,204	-	805,204
In-kind donations	451,019	-	451,019
Total program expenses	1,256,223	-	1,256,223
Management and general	229,187	-	229,187
Fundraising	437,764	-	437,764
Total expense	1,923,174	-	1,923,174
<b>CHANGE IN NET ASSETS</b>	127,385	(49,296)	78,089
<b>NET ASSETS</b>			
Beginning of the year	3,035,978	157,204	3,193,182
End of the year	\$ 3,163,363	\$ 107,908	\$ 3,271,271

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

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STATEMENT OF ACTIVITIES AND NET ASSETS  
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,641,770	\$ 155,000	\$ 1,796,770
In-kind contributions	550,770	-	550,770
Shelter revenue	91,028	-	91,028
Investment income	187,192	-	187,192
	2,470,760	155,000	2,625,760
Net assets releases:			
Satisfaction of restriction	5,898	(5,898)	-
	2,476,658	149,102	2,625,760
<b>EXPENSES</b>			
Program services			
Program and community outreach expenses	701,670	-	701,670
In-kind donations	550,770	-	550,770
Total program expenses	1,252,440	-	1,252,440
Management and general	217,767	-	217,767
Fundraising	409,723	-	409,723
Total expense	1,879,930	-	1,879,930
<b>CHANGE IN NET ASSETS</b>	596,728	149,102	745,830
<b>NET ASSETS</b>			
Beginning of the year	2,439,250	8,102	2,447,352
End of the year	\$ 3,035,978	\$ 157,204	\$ 3,193,182

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

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STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Payroll, payroll taxes, and benefits	\$ 344,689	\$ 111,712	\$ 63,388	\$ 519,789
In-kind donations	451,019	-	-	451,019
Newsletters and mailings	-	-	331,127	331,127
Depreciation	143,210	3,990	591	147,791
Utilities	77,063	-	-	77,063
Insurance	53,622	5,512	-	59,134
Shelter and other program costs	50,717	-	25	50,742
Professional fees	4,662	23,619	15,157	43,438
Taxes and licenses	38,358	1,984	-	40,342
Maintenance and repairs	38,150	-	-	38,150
Rent expense	-	36,869	-	36,869
Vehicle and transportation	25,116	7,326	-	32,442
Office expenses	7,668	16,417	4,798	28,883
Bank charges and merchant fees	3,239	398	12,959	16,596
Telephone	7,116	6,571	-	13,687
Dues, subscriptions, and website	-	5,643	5,579	11,222
Travel and entertainment	871	8,253	96	9,220
Events	3,499	-	-	3,499
Advertising	-	-	3,489	3,489
Conferences and training	500	371	555	1,426
Other expenses	6,724	522	-	7,246
	\$ 1,256,223	\$ 229,187	\$ 437,764	\$ 1,923,174

The accompanying notes are an integral part of these financial statements



BREAD OF LIFE MISSION

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STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Payroll, payroll taxes, and benefits	\$ 326,236	\$ 111,009	\$ 71,445	\$ 508,690
In-kind donations	550,770	-	-	550,770
Newsletters and mailings	-	-	296,483	296,483
Depreciation	124,535	3,470	514	128,519
Utilities	66,295	-	-	66,295
Insurance	43,260	5,897	-	49,157
Shelter and other program costs	51,124	-	102	51,226
Professional fees	6,176	23,110	12,050	41,336
Taxes and licenses	2,635	2,670	-	5,305
Maintenance and repairs	33,957	426	-	34,383
Rent expense	-	35,888	-	35,888
Vehicle and transportation	25,583	5,034	-	30,617
Office expenses	6,795	9,954	5,514	22,263
Bank charges and merchant fees	3,048	2,857	11,088	16,993
Telephone	9,345	2,724	-	12,069
Dues, subscriptions, and website	-	9,880	8,651	18,531
Travel and entertainment	-	316	-	316
Events	2,681	-	-	2,681
Advertising	-	-	3,626	3,626
Conferences and training	-	1,047	-	1,047
Other expenses	-	3,485	250	3,735
	\$ 1,252,440	\$ 217,767	\$ 409,723	\$ 1,879,930

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Cash received from grants, contributions, & bequests	\$ 1,662,446	\$ 1,796,770
Cash received from shelter operations	89,853	95,122
Cash received from investment income	67,743	46,188
Cash paid to employees and suppliers	<u>(1,340,949)</u>	<u>(1,222,632)</u>
Net cash provided by operating activities	<u>479,093</u>	<u>715,448</u>
<b>Cash flows from investing activities:</b>		
Net purchase of investments	(267,497)	(446,077)
Purchase of property and equipment	(173,198)	(175,848)
Insurance proceeds related to property and equipment	<u>6,796</u>	<u>-</u>
Net cash used by investing activities	<u>(433,899)</u>	<u>(621,925)</u>
Net increase (decrease) in cash	45,194	93,523
Cash, at beginning of year	<u>386,012</u>	<u>292,489</u>
Cash, at end of year	<u>\$ 431,206</u>	<u>\$ 386,012</u>

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**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 to 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, 2022 AND 2021

**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, 2022 and 2021, cash and cash equivalents consist of checking and savings 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, 2022 or 2021. All receivable balances are due in less than one year.

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, 2022 AND 2021

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition

The Mission receives revenue from grants, contributions, and shelter revenue. Revenue from these sources is 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.

*Bequests:* Bequest revenue is recognized when the Mission is informed that it will receive a bequest and the amount to be received is known. The Mission does not recognize bequest revenue until the passing of the donor.

*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. There was no deferred revenue at the beginning or end of the years ended June 30, 2022 or 2021.

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. The value of donated food is calculated using a set rate per pound received. During the year ended June 30, 2022, the rates used were \$1.67 to \$2.99 per pound, depending on the source of the food received. During the year ended June 30, 2021, the rate used for all sources was \$2.00 per pound. These donated goods are not monetized and are used in the Mission's programs during the year the assets are received.

Donated goods consist of the following during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Food	\$ 442,250	\$ 547,188
Clothing and other items	8,769	3,582
	<u>\$ 451,019</u>	<u>\$ 550,770</u>

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

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021. As such, the Mission adopted the standard during the year ended June 30, 2022. The standard did not have a material impact on the financial statements. The Mission has updated disclosures as necessary.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2022 and 2021, advertising costs were \$3,489 and \$3,626, 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.

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, 2022 and 2021, 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.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE 3. AVAILABILITY AND LIQUIDITY**

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

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 431,206	\$ 386,012
Investments	1,802,609	1,810,077
Accounts and grants receivable	<u>5,251</u>	<u>5,395</u>
Total financial assets	2,239,066	2,201,484
Less amounts not available to be used for general purposes within one year:		
Net assets with donor restrictions	<u>107,908</u>	<u>157,204</u>
	107,908	157,204
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$2,131,158</u></u>	<u><u>\$ 2,044,280</u></u>

The Mission's goal is generally to maintain financial assets to meet 2 to 3 months of operating expenses (approximately \$270,000 to \$410,000). 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.

The COVID-19 Pandemic has impacted the Mission's operations. In order to comply with Washington State restrictions, the Mission is operating the emergency shelter at a reduced capacity to maintain appropriate social distancing. State and local restrictions have eased following June 30, 2022; however the continued financial impact of the Pandemic is unknown at this time. The Mission's financial assets are sufficient to continue operations.

**NOTE 4. INVESTMENTS**

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Bond mutual funds	\$ 1,216,369	\$ 1,237,744
Equity mutual funds	464,942	341,923
Exchange traded funds	106,143	118,585
Cash and cash equivalents	<u>15,155</u>	<u>111,825</u>
	<u><u>\$1,802,609</u></u>	<u><u>\$ 1,810,077</u></u>

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE 4. INVESTMENTS (continued)**

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

	2022	2021
Dividends and interest	\$ 67,743	\$ 46,188
Realized and unrealized gains (losses)	(274,966)	141,004
	\$ (207,223)	\$ 187,192

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	2022	2021
Land	\$ 25,000	\$ 25,000
Buildings and improvements	2,366,064	2,284,371
Office and other equipment	541,819	517,156
Vehicles	163,492	152,626
	\$ 3,096,375	\$ 2,979,153
Accumulated depreciation	(2,044,885)	(1,951,585)
	\$ 1,051,490	\$ 1,027,568

**NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2022	2021
Life Change Program property purchase	\$ 105,000	\$ 105,000
Building renovations	2,204	27,204
Life Change Program	389	-
Day/night shelter	315	25,000
	\$ 107,908	\$ 157,204

Net assets released from net assets with donor restrictions were used for the following purposes during the years ended June 30:

	2022	2021
Building renovations	\$ 25,000	\$ 5,898
Day/night shelter	25,000	-
	\$ 50,000	\$ 5,898



BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE 7. EMPLOYEE BENEFIT PLAN**

The Mission participates in a retirement plan for its ministerial and other personnel. During the years ended June 30, 2022 and 2021, the Mission made retirement contributions of \$7,200 per year on behalf of eligible employees.

**NOTE 8. OPERATING LEASES**

On October 17, 2019, the Mission signed a lease amendment agreement to extend the lease term of their office space for three years, through November 30, 2022. Rental expense under the office lease was \$36,869 and \$35,888 for the years ended June 30, 2022 and 2021, respectively.

Future minimum payments to be paid under the lease are \$15,533 during the year ended June 30, 2023. The lease was amended subsequent to year end to extend the term of the lease to November 30, 2025. See Note 9.

**NOTE 9. SUBSEQUENT EVENTS**

The Mission has evaluated subsequent events through the date these financial statements were available to be issued, which was May 2, 2023.

On October 19, 2022, the Mission signed a lease amendment agreement to extend the lease term of their office space for three years, through November 30, 2025. Monthly rent under the lease amendment is as follows:

December 1, 2022 to November 30, 2023	\$3,106.50
December 1, 2023 to November 30, 2024	\$3,199.69
December 1, 2024 to November 30, 2025	\$3,295.68