

BREAD OF LIFE MISSION

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FINANCIAL STATEMENTS  
JUNE 30, 2018

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**LUBY & THOMSON, PLLC**  
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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 statement of financial position as of June 30, 2018 and the related statements of activities and net assets, functional expenses and cash flows for the year 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***

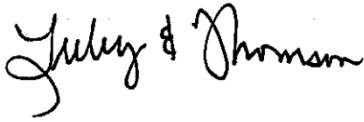
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 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.

A handwritten signature in black ink that reads "Luby & Thomson". The signature is written in a cursive, flowing style.

Luby and Thomson, PLLC  
Certified Public Accountants  
Seattle, WA  
September 20, 2018

BREAD OF LIFE MISSION

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STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	194,117
Investments		659,300
Accounts and grants receivable		23,832
Prepaid expenses		7,000
Total current assets		<u>884,249</u>

Property and equipment, net		980,836
Office deposit		2,147
		<u>2,147</u>

TOTAL ASSETS	\$	<u><u>1,867,232</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	52,684
Accrued liabilities		18,923
Total current liabilities		<u>71,607</u>

NET ASSETS

Unrestricted		1,711,671
Temporarily restricted		83,954
Total net assets		<u>1,795,625</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,867,232</u></u>
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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, 2018

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
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)	-
Total support and revenue	2,192,741	52,345	2,245,086
<b>EXPENSES</b>			
Program services			
Program and community outreach expenses	846,965	-	846,965
In-kind donations	778,941	-	778,941
Total program expenses	1,625,906	-	1,625,906
Management and general	209,751	-	209,751
Fundraising	329,357	-	329,357
Total expense	2,165,014	-	3,790,920
<b>CHANGE IN NET ASSETS</b>	27,727	52,345	80,072
<b>NET ASSETS</b>			
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

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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	18,804	-	186,558	205,362
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
Insurance	41,422	3,905	-	45,327
Professional fees	9,090	24,915	1,786	35,791
Vehicle and transportation	26,538	4,835	10	31,383
Maintenance and repairs	31,045	25	-	31,070
Rent expense	-	30,002	-	30,002
Office expenses	10,022	14,378	1,187	25,587
Dues, subscriptions, and website	135	9,243	10,448	19,826
Telephone	15,498	3,194	292	18,984
Bank charges and merchant fees	5,268	3,403	4,545	13,216
Travel and entertainment	1,533	5,390	1,171	8,094
Taxes and licenses	6,077	-	-	6,077
Conferences and training	49	2,341	-	2,390
Advertising	597	-	155	752
Miscellaneous	242	1,939	-	2,181
	\$ 1,625,906	\$ 209,751	\$ 329,357	\$ 2,165,014

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

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STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

**Cash flows from operating activities:**

Cash received from grants and contributions	\$ 1,223,955
Cash received from shelter operations	211,598
Cash received from investment income	16,057
Cash paid to employees and suppliers	(1,276,156)
Net cash provided by operating activities	<u>175,454</u>

**Cash flows from investing activities:**

Net purchase of investments	(115,983)
Purchase of equipment	(10,499)
Net cash provided by investing activities	<u>(126,482)</u>

Net increase (decrease) in cash 48,972

Cash, at beginning of year 145,145

Cash, at end of year \$ 194,117

**Reconciliation of change in net assets to net cash provided by operations:**

Change in net assets	80,072
Add (deduct) operating items not affecting cash:	
Depreciation expense	137,306
Change in operating accounts:	
(Increase) decrease in accounts and grants receivable	(14,535)
(Increase) decrease in prepaid expenses	(7,000)
Increase (decrease) in accounts payable	(20,738)
Increase (decrease) in accrued liabilities	349
Net cash provided by operating activities	<u>175,454</u>

The accompanying notes are an integral part of these financial statements



## BREAD OF LIFE MISSION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 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 on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2018.

##### 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.

##### 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, 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.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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, 2018. 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.

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.

Revenue from grants and contributions are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported as releases on the statement of activities.

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.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2018, advertising costs were \$752.

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. The classifications have been determined based on the estimated time spent by employees, as well as the direct and indirect benefit to each of the major categories.

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 year ended June 30, 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.

**NOTE 3. INVESTMENTS**

Investments consist of the following at June 30, 2018:

Bond mutual funds	\$ 439,485
Equity mutual funds	167,367
Exchange traded funds	41,947
Cash and cash equivalents	10,501
	<u>\$ 659,300</u>

Investment income consists of the following for the year ended June 30, 2018:

Dividends and interest	\$ 21,224
Realized and unrealized losses	(5,167)
	<u>\$ 16,057</u>

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2018:

Land	\$ 25,000
Buildings and improvements	2,022,934
Office and other equipment	435,266
Vehicles	<u>110,522</u>
	\$ 2,593,722
Accumulated depreciation	<u>(1,612,886)</u>
	<u>\$ 980,836</u>

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following restrictions at June 30, 2018:

Life Change Program	\$ 15,000
Building renovations	<u>68,954</u>
	<u>\$ 83,954</u>

**NOTE 6. IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following during the year ended June 30, 2018:

Food	\$ 753,225
Clothing and other items	<u>25,716</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 7. EMPLOYEE BENEFIT PLAN**

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

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 8. 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 \$30,002 for the year ended June 30, 2018.

Additionally, the Mission leases office equipment under a noncancelable lease agreement through December 2018. Rental expense for equipment was \$6,587 for the year ended June 30, 2018, and is included in office expenses on the statement of functional expenses.

Future minimum payments to be paid under these leases are as follows for the years ending June 30:

2019	\$ 33,664
2020	<u>13,080</u>
	<u>\$ 46,744</u>

**NOTE 9. SUBSEQUENT EVENTS**

The Mission has evaluated subsequent events through the date these financial statements were available to be issued, which was September 20, 2018.