

BREAD OF LIFE MISSION

FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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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, 2021 and 2020 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, 2021 and 2020, 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
Bellevue, Washington
November 18, 2021

BREAD OF LIFE MISSION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 386,012	\$ 292,489
Investments	1,810,077	1,222,995
Accounts and grants receivable	5,395	9,489
Prepaid expenses	8,297	8,297
Total current assets	<u>2,209,781</u>	<u>1,533,270</u>
Property and equipment, net	1,027,568	980,240
Office deposit	2,147	2,147
TOTAL ASSETS	<u>\$ 3,239,496</u>	<u>\$ 2,515,657</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 22,098	\$ 48,065
Accrued liabilities	24,216	20,240
Total current liabilities	<u>46,314</u>	<u>68,305</u>
NET ASSETS		
Without donor restrictions	3,035,978	2,439,250
With donor restrictions	157,204	8,102
Total net assets	<u>3,193,182</u>	<u>2,447,352</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,239,496</u>	<u>\$ 2,515,657</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
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
EXPENSES			
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
CHANGE IN NET ASSETS	596,728	149,102	745,830
NET ASSETS			
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

STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,367,866	\$ -	\$ 1,367,866
In-kind contributions	432,465	-	432,465
Shelter revenue	201,491	-	201,491
Bequests	129,584	-	129,584
Investment income	30,952	-	30,952
Gain on insurance proceeds	3,840	-	3,840
Loss on disposal of fixed assets	(6,712)	-	(6,712)
	2,159,486	-	2,159,486
Net assets releases:			
Satisfaction of restriction	127,100	(127,100)	-
	2,286,586	(127,100)	2,159,486
EXPENSES			
Program services			
Program and community outreach expenses	820,244	-	820,244
In-kind donations	432,465	-	432,465
Total program expenses	1,252,709	-	1,252,709
Management and general	198,432	-	198,432
Fundraising	399,868	-	399,868
Total expense	1,851,009	-	1,851,009
CHANGE IN NET ASSETS	435,577	(127,100)	308,477
NET ASSETS			
Beginning of the year	2,003,673	135,202	2,138,875
End of the year	\$ 2,439,250	\$ 8,102	\$ 2,447,352

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

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
Shelter and other program costs	51,124	-	102	51,226
Insurance	43,260	5,897	-	49,157
Professional fees	6,176	23,110	12,050	41,336
Rent expense	-	35,888	-	35,888
Maintenance and repairs	33,957	426	-	34,383
Vehicle and transportation	25,583	5,034	-	30,617
Office expenses	6,795	9,954	5,514	22,263
Dues, subscriptions, and website	-	9,880	8,651	18,531
Bank charges and merchant fees	3,048	2,857	11,088	16,993
Telephone	9,345	2,724	-	12,069
Taxes and licenses	2,635	2,670	-	5,305
Advertising	-	-	3,626	3,626
Events	2,681	-	-	2,681
Conferences and training	-	1,047	-	1,047
Travel and entertainment	-	316	-	316
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

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Payroll, payroll taxes, and benefits	\$ 390,485	\$ 104,624	\$ 99,933	\$ 595,042
In-kind donations	432,465	-	-	432,465
Newsletters and mailings	-	-	253,500	253,500
Depreciation	128,856	3,590	532	132,978
Utilities	81,172	-	-	81,172
Shelter and other program costs	59,542	-	604	60,146
Insurance	42,993	3,749	-	46,742
Professional fees	6,838	22,660	10,950	40,448
Rent expense	-	33,681	-	33,681
Maintenance and repairs	31,304	1,772	-	33,076
Vehicle and transportation	25,249	1,277	1,383	27,909
Office expenses	10,664	10,430	7,786	28,880
Dues, subscriptions, and website	119	5,556	7,608	13,283
Bank charges and merchant fees	4,467	2,686	6,885	14,038
Telephone	11,713	1,312	1,418	14,443
Taxes and licenses	3,309	2,403	-	5,712
Advertising	725	2,411	6,100	9,236
Events	12,140	-	2,890	15,030
Conferences and training	36	511	-	547
Travel and entertainment	956	1,304	279	2,539
Meals	9,676	466	-	10,142
	\$ 1,252,709	\$ 198,432	\$ 399,868	\$ 1,851,009

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from grants, contributions, & bequests	\$ 1,796,770	\$ 1,527,531
Cash received from shelter operations	95,122	201,491
Cash received from investment income	46,188	30,952
Cash paid to employees and suppliers	<u>(1,222,632)</u>	<u>(1,272,586)</u>
Net cash provided by operating activities	<u>715,448</u>	<u>487,388</u>
Cash flows from investing activities:		
Net purchase of investments	(446,077)	(280,764)
Purchase of property and equipment	(175,848)	(176,234)
Insurance proceeds related to property and equipment	<u>-</u>	<u>3,840</u>
Net cash provided by investing activities	<u>(621,925)</u>	<u>(453,158)</u>
Net increase (decrease) in cash	93,523	34,230
Cash, at beginning of year	<u>292,489</u>	<u>258,259</u>
Cash, at end of year	<u>\$ 386,012</u>	<u>\$ 292,489</u>

The accompanying notes are an integral part of these financial statements

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 or 2020. 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, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

We have analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new standard.

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, 2021 or 2020.

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, 2021 and 2020, advertising costs were \$3,626 and \$9,236, respectively.

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 and 2020, 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. AVAILABILITY AND LIQUIDITY

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

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 386,012	\$ 292,489
Investments	1,810,077	1,222,995
Accounts and grants receivable	<u>5,395</u>	<u>9,489</u>
Total financial assets	2,201,484	1,524,973
Less amounts not available to be used for general purposes within one year:		
Net assets with donor restrictions	<u>157,204</u>	<u>8,102</u>
	157,204	8,102
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$2,044,280</u></u>	<u><u>\$1,516,871</u></u>

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3. AVAILABILITY AND LIQUIDITY (continued)

The Mission's goal is generally to maintain financial assets to meet 2 to 3 months of operating expenses (approximately \$255,000 to \$380,000). 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's "Stay Home, Stay Healthy" Order, the Mission is operating the emergency shelter at a reduced capacity to maintain appropriate social distancing. The reduced capacity is expected to negatively impact the Mission's shelter revenue during the year ended June 30, 2022. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Mission expects this matter to negatively impact its operating results, the extent of the financial impact and duration cannot be reasonably estimated at this time.

The Mission received several large contributions intended by the donor to provide general support throughout the COVID-19 Pandemic. These contributions, in conjunction with efforts to reduce expenses, are expected to allow the Mission to continue operations through one year from the date the financial statements are available to be issued.

NOTE 4. INVESTMENTS

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Bond mutual funds	\$ 1,237,744	\$ 827,907
Equity mutual funds	341,923	218,917
Exchange traded funds	118,585	52,223
Cash and cash equivalents	111,825	123,948
	<u>\$ 1,810,077</u>	<u>\$ 1,222,995</u>

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

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 46,188	\$ 39,503
Realized and unrealized gains (losses)	141,004	(8,551)
	<u>\$ 187,192</u>	<u>\$ 30,952</u>

BREAD OF LIFE MISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2021	2020
Land	\$ 25,000	\$ 25,000
Buildings and improvements	2,284,371	2,126,131
Office and other equipment	517,156	499,549
Vehicles	152,626	152,626
	\$2,979,153	\$2,803,306
Accumulated depreciation	(1,951,585)	(1,823,066)
	\$1,027,568	\$ 980,240

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Life Change Program property purchase	\$ 105,000	\$ -
Building renovations	27,204	8,102
Day/night shelter	25,000	-
	\$ 157,204	\$ 8,102

Net assets released from net assets with donor restrictions of \$5,898 and \$127,100 were used for building renovations during the years ended June 30, 2021 and 2020, respectively.

NOTE 7. IN-KIND CONTRIBUTIONS

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

	2021	2020
Food	\$ 547,188	\$ 351,821
Clothing and other items	3,582	80,644
	\$ 550,770	\$ 432,465

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, 2021 AND 2020

NOTE 8. EMPLOYEE BENEFIT PLAN

The Mission participates in a retirement plan for its ministerial and other personnel. During the years ended June 30, 2021 and 2020, the Mission made retirement contributions of \$7,200 per year on behalf of eligible employees.

NOTE 9. 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 \$35,888 and \$33,681 for the years ended June 30, 2021 and 2020, respectively.

Future minimum payments to be paid under the lease are as follows during the years ended June 30:

2022	\$ 36,869
2023	15,533
	<u>\$ 52,402</u>

NOTE 10. SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through the date these financial statements were available to be issued, which was November 18, 2021.