

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED FINANCIAL REPORT

JUNE 30, 2018

C O N T E N T S

	Page	
INDEPENDENT AUDITORS' REPORT	1 and 2	
 COMBINED FINANCIAL STATEMENTS		
COMBINED STATEMENTS OF FINANCIAL POSITION	3	
COMBINED STATEMENTS OF ACTIVITIES.....	4	
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES.....	5	
COMBINED STATEMENTS OF CASH FLOWS.....	6	
NOTES TO COMBINED FINANCIAL STATEMENTS	7 - 16	
 SUPPLEMENTARY SCHEDULES		
INDEPENDENT AUDITORS' REPORT ON COMBINING INFORMATION	18	
COMBINING STATEMENT OF FINANCIAL POSITION	19	
COMBINING STATEMENT OF ACTIVITIES.....	20	
 INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		21 and 22
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....		23 and 24
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	25	
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	26	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	27	

Note: There were no prior year findings or questioned costs relative to federal awards, so a schedule of prior audit findings is not included.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food Lifeline and Food Lifeline Foundation
Seattle, Washington

We have audited the accompanying combined financial statements of Food Lifeline and Food Lifeline Foundation (collectively, "the Organization"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, 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.

Supplementary Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Peterson Sullivan LLP.

October 26, 2018

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 4,139,147	\$ 4,028,196
Investments	1,340,956	1,155,232
Grants receivable	269,150	193,944
Contributions receivable, current portion	50,000	105,000
Other receivables	250,695	146,617
Prepaid expenses	280,043	180,608
Inventory	2,935,817	4,185,691
Total current assets	<u>9,265,808</u>	<u>9,995,288</u>
Restricted Cash	202,111	245,361
Contributions Receivable, net	47,804	332,804
Contributions Receivable - Hunger Solution Center, net	2,526,070	4,558,410
Note Receivable	5,182,925	5,182,925
Property and Equipment, net	29,419,809	30,187,271
Total assets	<u>\$ 46,644,527</u>	<u>\$ 50,502,059</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 567,753	\$ 392,138
Accrued payroll expenses	424,697	357,293
Current portion of loans payable	373,088	303,184
Total current liabilities	<u>1,365,538</u>	<u>1,052,615</u>
Long-Term Liabilities		
Loans payable, net of current portion	14,285,439	17,836,816
Notes payable, net of loan fees	7,357,136	7,347,396
Lease deposit	49,794	49,794
Total long-term liabilities	<u>21,692,369</u>	<u>25,234,006</u>
Total liabilities	23,057,907	26,286,621
Net Assets		
Unrestricted	23,336,671	23,495,447
Temporarily restricted	249,949	719,991
Total net assets	<u>23,586,620</u>	<u>24,215,438</u>
Total liabilities and net assets	<u>\$ 46,644,527</u>	<u>\$ 50,502,059</u>

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Contributions						
Foundations and corporations	\$ 4,962,522	\$ 1,005	\$ 4,963,527	\$ 2,368,593	\$ 384,164	\$ 2,752,757
Individuals	3,179,450	1,484	3,180,934	2,998,285	16,729	3,015,014
In-kind donations	32,994		32,994	3,046		3,046
Grants from government agencies	3,312,759		3,312,759	1,943,083		1,943,083
Community events	1,230,456		1,230,456	1,485,482		1,485,482
Program revenue	1,212,866		1,212,866	1,148,278		1,148,278
Rental income	711,659		711,659	457,646		457,646
Investment income, net of fees	57,745		57,745	85,473		85,473
Interest income - note receivable	74,681		74,681	74,681		74,681
Other income	375		375	19,036		19,036
Net assets released from restrictions	472,531	(472,531)		12,354,975	(12,354,975)	
Total revenue, excluding in-kind food and Hunger Solution Center - campaign contributions	15,248,038	(470,042)	14,777,996	22,938,578	(11,954,082)	10,984,496
Expenses						
Program services	7,017,481		7,017,481	6,806,382		6,806,382
Management and general	1,849,758		1,849,758	1,535,052		1,535,052
Fundraising	2,128,255		2,128,255	1,939,702		1,939,702
Total expenses, excluding food procurement, processing, and distribution, and Hunger Solution Center	10,995,494		10,995,494	10,281,136		10,281,136
Change in net assets before food revenue and expense and Hunger Solution Center - campaign	4,252,544	(470,042)	3,782,502	12,657,442	(11,954,082)	703,360
Food Revenue and Expense						
In-kind food contributions revenue	84,475,567		84,475,567	72,252,388		72,252,388
Food procurement, processing, and distribution	(88,905,111)		(88,905,111)	(74,107,291)		(74,107,291)
Net food expense	(4,429,544)		(4,429,544)	(1,854,903)		(1,854,903)
Hunger Solution Center - Campaign						
Contributions	18,224		18,224	839,384		839,384
Expenses				(139,054)		(139,054)
Net Hunger Solution Center - campaign	18,224		18,224	700,330		700,330
Change in net assets	(158,776)	(470,042)	(628,818)	11,502,869	(11,954,082)	(451,213)
Net Assets, beginning of year	23,495,447	719,991	24,215,438	11,992,578	12,674,073	24,666,651
Net Assets, end of year	<u>\$ 23,336,671</u>	<u>\$ 249,949</u>	<u>\$ 23,586,620</u>	<u>\$ 23,495,447</u>	<u>\$ 719,991</u>	<u>\$ 24,215,438</u>

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,356,841	\$ 851,736	\$ 801,634	\$ 5,010,211	\$ 2,697,757	\$ 684,506	\$ 644,241	\$ 4,026,504
Payroll taxes and employee benefits	785,363	145,749	171,030	1,102,142	692,710	134,106	143,147	969,963
Total salaries and related expenses	4,142,204	997,485	972,664	6,112,353	3,390,467	818,612	787,388	4,996,467
Occupancy	327,405	198,465	10,016	535,886	1,761,877	54,762	72,071	1,888,710
Professional fees	146,190	162,243	557,311	865,744	252,351	281,773	489,781	1,023,905
Depreciation	875,350	128,728	180,219	1,184,297	565,204	84,781	103,621	753,606
Supplies and postage	244,001	57,291	62,373	363,665	142,406	45,676	53,776	241,858
Insurance	111,571	8,609	12,053	132,233	122,545	18,382	22,467	163,394
Advertising and printing	12,274	13,340	162,509	188,123	9,935	11,655	187,620	209,210
Interest	554,722	42,803	59,923	657,448	158,075	11,373	14,553	184,001
Repairs and maintenance	150,242			150,242	147,279			147,279
Conferences and travel	39,357	48,028	15,930	103,315	47,357	33,095	19,611	100,063
TEFAP Agency expense	236,500			236,500	89,000			89,000
Telephone	20,064	2,715	3,216	25,995	20,064	2,556	3,124	25,744
Other	157,601	190,051	92,041	439,693	99,822	172,387	185,690	457,899
Total expenses, excluding food procurement, processing, distribution, and Hunger Solution Center	7,017,481	1,849,758	2,128,255	10,995,494	6,806,382	1,535,052	1,939,702	10,281,136
Food procurement, processing, and distribution	88,905,111			88,905,111	74,107,291			74,107,291
Hunger Solution Center - campaign expenses							139,054	139,054
Total expenses	\$ 95,922,592	\$ 1,849,758	\$ 2,128,255	\$ 99,900,605	\$ 80,913,673	\$ 1,535,052	\$ 2,078,756	\$ 84,527,481

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (628,818)	\$ (451,213)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,184,297	753,606
Amortization of debt issuance costs	22,436	9,741
Realized and unrealized gains on investments	(9,130)	(50,583)
Contributions restricted for purchase of long-term asset purchases	(18,224)	(839,384)
Changes in operating assets and liabilities		
Grants receivable	(75,206)	8,316
Contributions receivable	340,000	(13,000)
Food inventory	1,249,874	(518,366)
Accounts payable and accrued expenses	175,615	120,890
Accrued payroll expenses	67,404	50,985
Prepaid expenses and other current receivables	(203,513)	451,493
Lease deposit		49,794
Net cash flows from operating activities	<u>2,104,735</u>	<u>(427,721)</u>
Cash Flows from Investing Activities		
Proceeds from sales on investments	151,921	130,094
Purchase of investments	(328,515)	(226,416)
Decrease in cash restricted for investment in long-term asset and contractual reserve	43,250	5,425,041
Purchase of property and equipment	<u>(416,835)</u>	<u>(25,125,947)</u>
Net cash flows from investing activities	<u>(550,179)</u>	<u>(19,797,228)</u>
Cash Flows from Financing Activities		
Contributions received for purchases of long-term assets	2,050,564	3,960,319
Proceeds from (payment of) bridge loan	(18,140,000)	18,140,000
Proceeds from loans payable	17,650,000	
Financing fees paid on loans payable	(199,771)	
Payments on loans payable	<u>(2,804,398)</u>	
Net cash flows from financing activities	<u>(1,443,605)</u>	<u>22,100,319</u>
Net change in cash and cash equivalents	110,951	1,875,370
Cash and Cash Equivalents, beginning of year	<u>4,028,196</u>	<u>2,152,826</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,139,147</u>	<u>\$ 4,028,196</u>
Supplementary Information		
Cash paid for interest	<u>\$ 635,012</u>	<u>\$ 174,260</u>

See Notes to Combined Financial Statements

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Food Lifeline is a nonprofit corporation established in 1979. Food Lifeline's mission is to procure, warehouse, and distribute food to emergency food banks and meal programs, raise community awareness of hunger issues, and work toward long-term solutions for the problem of hunger in Western Washington. Food Lifeline is a member of Feeding America, a network of over 200 affiliate member agencies throughout the United States.

During the year ended June 30, 2017, Food Lifeline had a capital campaign to acquire warehouse and office space called the Hunger Solution Center. In May of 2017, the Hunger Solution Center and adjacent property were acquired by Food Lifeline through the utilization of funds raised through the capital campaign and a bridge loan.

Food Lifeline is affiliated with the Food Lifeline Foundation ("the Foundation"). The Foundation's primary purpose is to support the mission of Food Lifeline (primarily in the acquisition of the Hunger Solution Center). The Foundation is legally separate from Food Lifeline. The Foundation is combined with Food Lifeline for financial reporting purposes because of the nature and significance of its relationship with Food Lifeline.

Food Lifeline procures its food primarily through donations. Total food distributed in pounds by Food Lifeline in fiscal years 2018 and 2017 was procured as follows:

	2018	2017
Donated by local food industry	85%	81%
Donated by national food industry (through Feeding America)	2	2
Donated by the U.S. Department of Agriculture	8	11
Purchased	5	6
	100%	100%

In addition to the food donated by the U.S. Department of Agriculture, Food Lifeline is also partially funded under programs with the Emergency Food and Shelter Program ("EFSP"), the Washington State Department of Commerce, King County Planning and Community Development Division, the Seattle Department of Housing and Human Services, and through other federal and state programs. Government cash awards consisted of the following:

	2018	2017
Washington Department of Commerce	\$ 1,212,500	\$ -
City and county governmental agencies	944,195	929,438
EFSP	190,917	153,427
Federal and state governmental programs		
TEFAP - The Emergency Food Assistance Program	393,642	327,293
EFAP - Emergency Food Assistance Program	310,409	305,393
CACFP - Child and Adult Care Feeding Program	198,100	181,715
SFSP - Summer Food Service Program	62,996	45,817
	\$ 3,312,759	\$ 1,943,083

Principles of Combination

The combined financial statements include the accounts of Food Lifeline and the Foundation. Collectively, these entities are called "the Organization" in these combined financial statements. All significant inter-entity transactions have been eliminated in combination.

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.

Financial Statement Presentation

The Organization reports 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. The Organization has no permanently restricted net assets, so this class of net assets is not shown on the financial statements. Contributions that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods, and contributions to be received in future years. If the Organization receives a temporarily restricted contribution and it meets the restrictions in the same year the contribution is received, then it records the contribution as unrestricted revenue. Temporarily restricted net assets are to be used for the following purposes at June 30:

	2018	2017
Child nutrition programs	\$ 95,000	\$ 311,551
To be used in future years	97,804	272,000
Purchase of generator		73,100
Purchase of beef	53,979	53,490
Rural food distribution	3,166	7,105
Purchase of produce and dairy		2,745
	<u>\$ 249,949</u>	<u>\$ 719,991</u>

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 Organization reports its investments (discussed below) at fair value on a recurring basis.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market funds. The Organization considers all short-term securities with an original maturity of three months or less to be cash. The Organization has amounts deposited with financial institutions in excess of federally insured limits. See Note 2 regarding restricted cash.

Investments

Investments are reported at their fair values in the combined statements of financial position. The fair value of the investments was determined using Level 1 observable market inputs within the fair value hierarchy, consisting of quoted prices in active markets for identical assets. Investments are summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Fixed income mutual funds		
Intermediate-term bond funds	\$ 388,579	\$ 328,867
High-yield bond funds	86,117	153,473
Global bond funds	129,677	97,970
Equity mutual funds		
Equity income funds	422,990	324,598
Global equity funds	163,487	121,978
Real estate investment trusts	48,311	
Corporate bonds	71,428	40,875
Publicly traded common stocks	30,367	87,471
	<u>\$ 1,340,956</u>	<u>\$ 1,155,232</u>

Unrealized gains and losses are included in the change in net assets in the combined statements of activities. Investment income, net of fees, consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 59,569	\$ 44,047
Realized and unrealized gains	9,130	50,583
Investment fees	(10,954)	(9,157)
	<u>\$ 57,745</u>	<u>\$ 85,473</u>

Contributions Receivable

Contributions receivable consist of goods or cash pledged from various entities but not yet received. Short-term contributions are recorded at net realizable value. Long-term contributions receivable are recognized at fair value (at the time of the donation) and are measured at the present value of their expected cash flow. In arriving at fair value, management has discounted these contributions using an estimated risk-adjusted discount rate and an allowance for doubtful accounts. Amortization of any discount is included in contribution revenue.

Contributions receivable consist of the following at June 30:

	2018	2017
Amounts due in:		
Less than one year	\$ 50,000	\$ 105,000
One to five years	50,000	335,000
	100,000	440,000
Total gross contributions receivable		
Less: unamortized discount (2% - 3%)	(2,196)	(2,196)
	\$ 97,804	\$ 437,804

These amounts are included in the combined statements of financial position as follows:

	2018	2017
Current contributions receivable	\$ 50,000	\$ 105,000
Long-term contributions receivable	47,804	332,804
	\$ 97,804	\$ 437,804

Of the total contributions receivable at June 30, 2018 and 2017, 100% and 97% were due from two and three entities, respectively.

As previously mentioned, the Organization held a capital campaign to raise funds for the purchase of the Hunger Solution Center. Contributions receivable – Hunger Solution Center were for the capital campaign and consist of the following at June 30:

	2018	2017
Amounts due in:		
Less than one year	\$ 1,268,830	\$ 1,801,613
One to five years	1,343,229	2,836,010
More than five years	50,000	75,000
	2,662,059	4,712,623
Total gross contributions receivable		
Less: unamortized discount (2% - 4%)	(135,989)	(154,213)
	\$ 2,526,070	\$ 4,558,410

Of the total contributions receivable related to the Hunger Solution Center at June 30, 2018 and 2017, 42% and 64% were due from two and three entities, respectively.

Management considers all contributions receivable – Hunger Solution Center to be long-term assets, as collection on these receivables is to be used to pay loans payable.

Grants Receivable

Grants receivable consist of grants and contracts administered by various state and local governmental agencies awarded or earned but not yet received. Revenue from these grants and contracts is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2018 and 2017, no such adjustments were made. Of total grants receivable at both June 30, 2018 and 2017, essentially all receivables were due from four organizations.

Inventory

Inventory consists of food to be distributed to persons in need. Food contributed by the U.S. Department of Agriculture ("USDA") and contributed food inventory from sources other than the USDA are recognized based on wholesale, per-pound food prices provided by Feeding America.

Purchased food inventory is recorded at cost (first-in, first-out method). Food inventory consisted of the following on June 30:

	<u>2018</u>	<u>2017</u>
Donated food	\$ 1,216,367	\$ 2,330,044
USDA commodities	1,107,249	1,381,584
Purchased food	612,201	474,063
	<u>\$ 2,935,817</u>	<u>\$ 4,185,691</u>

Property and Equipment

Property and equipment is recorded at cost if purchased, or at fair value at the date of receipt if donated. The Organization's policy is to capitalize assets with a cost or donated value greater than \$5,000 and a useful life in excess of one year. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Building improvements are amortized on a straight-line basis using their estimated service lives.

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,665,164	\$ 4,665,164
Building and improvements	24,015,698	23,717,899
Warehouse refrigeration	1,375,832	1,375,832
Office furniture and equipment	1,332,801	1,304,583
Vehicles	1,056,499	839,380
Warehouse equipment	898,539	892,489
	<u>33,344,533</u>	<u>32,795,347</u>
Less: accumulated depreciation	<u>(3,924,724)</u>	<u>(2,740,427)</u>
	29,419,809	30,054,920
Construction in progress		132,351
	<u>\$ 29,419,809</u>	<u>\$ 30,187,271</u>

In-Kind Donations

In-kind services recognized in these combined financial statements primarily include legal fees and supplies. These amounts are included in in-kind donations and related expenses and are included in their natural expense account classifications. These were valued at \$32,994 and \$3,046 for the years ended June 30, 2018 and 2017, respectively.

Additionally, the Organization received donated auction items, decorations, and supplies for special events that were valued at \$43,584 and \$75,367 for the years ended June 30, 2018 and 2017, respectively. This revenue is included with community events revenue on the combined statements of activities.

The Organization records donated food for distribution at the wholesale food prices as noted above. Donated food amounted to \$84,475,567 and \$72,252,388 for the years ended June 30, 2018 and 2017.

The Organization receives a significant amount of volunteer services from individuals and businesses that do not meet the criteria for recognition and are not reflected in the accompanying combined financial statements.

Program Revenue

The Organization charges various food agencies for shared maintenance costs and delivery costs for housing and delivering food. The Organization's largest program is called Order Up!, where the Organization purchases specific items requested by various agencies and then delivers the requested food to the purchasing agency. Program revenue is recognized when orders have been delivered and the amounts can be billed.

Advertising and Printing

Advertising and printing costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services that received benefit.

Income Taxes

Both Food Lifeline and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain amounts from the June 30, 2017, financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through the date these combined financial statements were available to be issued, which was October 26, 2018.

Note 2. Restricted Cash

The Organization operates under the provision of a reserve agreement, which restricts the use of funds for interest on notes payable and annual management fee payments to the lenders. The interest and management fee reserves are held in a separate account as required by the lending agreement. Restricted cash amounted to \$202,111 and \$245,361 for the years ended June 30, 2018 and 2017, respectively.

Note 3. Note Receivable

As part of the New Markets Tax Credit transaction (see Note 4), the Organization entered into an agreement to lend \$5,182,925 to Twain Investment Fund 132, LLC ("Twain"). The note receivable totaling \$5,182,925 at June 30, 2018, is reported at its outstanding balance and is considered to be fully collectible. The note is secured by Twain's 99.99% interest in USBCDE Sub-CDE 136, LLC and CCG Sub-CDE 35, LLC. The assets of these entities consist primarily of amounts due from the Organization (see Note 4). The interest rate on the note is fixed at 1.4409%. Interest is receivable monthly throughout the term of the loan, and beginning on December 15, 2023, Twain will commence making monthly principal payments. All principal and unpaid interest are due and receivable on November 1, 2045.

Future minimum receipts under the note receivable are as follows for the years ending June 30:

2019 - 2023	\$	-
2024 - 2028		917,160
2029 - 2033		1,111,186
2034 - 2038		1,194,144
2039 - 2043		1,283,296
2044 - 2046		677,139
		<hr/>
	\$	<u>5,182,925</u>

Note 4. Debt

Notes Payable

In December 2015, the Organization entered into a New Markets Tax Credit transaction to help finance building improvements for the Hunger Solution Center. There were four separate promissory notes signed on December 9, 2015, to borrow a total of \$7,625,000 from USBCDE Sub-CDE 136, LLC and CCG Sub-CDE 35, LLC (the Community Development Entities or "CDEs" for the project). Notes payable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
CCG Sub-CDE Loan A	\$ 1,003,147	\$ 1,003,147
CCG Sub-CDE Loan B	496,853	496,853
USBCDE Loan A	4,179,778	4,179,778
USBCDE Loan B	1,945,222	1,945,222
	<hr/>	<hr/>
	7,625,000	7,625,000
Less: unamortized loan fees	(267,864)	(277,604)
	<hr/>	<hr/>
	<u>\$ 7,357,136</u>	<u>\$ 7,347,396</u>

All four notes bear interest at an annual rate of 1% and mature on December 9, 2045. Starting in February 2023 through the maturity date, payments of interest and principal shall be payable in monthly installments due and payable on the last day of each calendar month. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date. The loans are secured by essentially all assets of the Organization.

Interest has not been imputed on any of the above loans payable that carry below-market rate interest, as they carry certain restrictions. The restrictions require the Organization to use the property as defined by the loan regulatory agreements.

Loan fees consist of debt issuance costs incurred related to the issuance of the New Markets Tax Credit notes payable, and will be amortized over the term of the debt.

Future minimum payments for the four loans are as follows for the years ending June 30:

2019 - 2022	\$	-
2023		308,081
2024 - 2028		1,486,829
2029 - 2033		1,563,028
2034 - 2038		1,643,132
2039 - 2043		1,727,341
2044 - 2046		896,589
	<u>\$</u>	<u>7,625,000</u>

Included in the fiscal year 2023 payment schedule above is a mandatory payment obligation of \$187,500 due under the CCG Sub-CDE Loan B terms. Payment is due 84 months from the closing date of December 2015.

Bridge Loan/Loans Payable

In May 2017, the Organization entered into a bridge loan agreement with a bank for the purchase of the Hunger Solution Center. The loan amount totaled \$18,140,000. In August 2017, the bridge loan was settled in full, with a cash payment and a \$17,650,000 loan the Organization received from the Washington State House Finance Commission ("the Commission").

The Commission issued special nonprofit revenue bonds to fund the loan made to the Organization. The Organization entered into two loan agreements that require the Organization to make payments in amounts that are sufficient to pay principal and interest on the bonds.

The Series A loan of \$4,000,000 is payable in monthly interest-only payments, with annual principal payments commencing August 1, 2018. The loan will bear interest at a variable rate based on monthly LIBOR. The loan matures on August 1, 2022. The loan is secured by contributions receivable – Hunger Solution Center.

The Series B loan of \$13,650,000 is payable in monthly principal and interest payments of \$66,009, bears interest at 3.18%, and matures on August 1, 2042. The loan is secured by essentially all assets of the Organization.

The loans payable have various covenants including, among others, liquidity ratio and a debt coverage ratio. The Organization was in compliance with these covenants as of June 30, 2018.

The loan payable balance as of June 30, 2018, consists of:

Series A Loan	\$ 1,500,000
Series B Loan	<u>13,345,603</u>
	14,845,603
Less: unamortized loan fees	<u>(187,076)</u>
	<u><u>\$ 14,658,527</u></u>

The principal maturities of the loans payable based on the terms of the loans discussed above are as follows for years ending June 30:

2019	\$ 373,088
2020	385,127
2021	1,397,554
2022	660,382
2023	673,624
Thereafter	<u>11,355,831</u>
	<u><u>\$ 14,845,606</u></u>

Interest expense for all notes and loans for the years ended June 30, 2018 and 2017, was \$657,448 and \$184,140, respectively.

Note 5. Purchase Price Option

The Organization and U.S. Bancorp ("U.S. Bank") have entered into a put/call option agreement to take place at the end of the seven-year New Markets Tax Credit compliance period. Under the agreement, U.S. Bank can exercise a put option to sell its interest in Twain, a limited liability company wholly-owned by U.S. Bank, the tax credit investor/lender, for \$1,000 to the Organization. Twain holds a 99.99% ownership of each of the lending entities described in Note 4 (USBCDE Sub-CDE 136, LLC and CCG Sub-CDE 35, LLC). If U.S. Bank does not exercise the put option within six months of the end of the seven-year period (August 2022), the Organization has an additional six months in which it can exercise a call option to purchase the interest of Twain at an appraised fair market value. Certain amounts and disclosures in these financial statements may be significantly impacted in the event the put/call option is exercised.

Note 6. Contingent Contributions

The Organization has received two contributions from government agencies contingent upon the Organization spending the money for the acquisition and/or remodel of new warehouse and office space. The first was received during the year ended in June 30, 2014, in the amount of \$3,050,000, and the second was received in the year ended June 30, 2018, in the amount of \$1,215,000. Both contributions are secured by a deed of trust on the new property for a period of 10 years following the final payment of funds received. In the event that the Hunger Solution Center is sold or is not operating for the intended purpose prior to the end of the 10-year period, Food Lifeline will be required to repay the proceeds plus interest at a rate equal to the Washington State General Obligation bonds issued most closely to the effective date of the legislation in which the facility was authorized. Management of Food Lifeline determined that the likelihood of not achieving the contingencies was remote and recognized both as contribution revenue in fiscal years 2014 and 2018.

Note 7. Leases

In August 2014, the Organization entered into a 20-year contract to lease the Hunger Solution Center. In May 2017, the lease was effectively cancelled upon the purchase of the Hunger Solution Center.

Total lease expense (excluding in-kind rent, up until the date of purchase) was \$0 and \$1,334,240 for the years ended June 30, 2018 and 2017, respectively.

Note 8. Pension Plan

The Organization participates in a defined contribution tax sheltered annuity plan ("the Plan") covering substantially all employees with one year of service and who have attained 21 years of age. The Organization matches 50% of participants' contributions to the Plan up to 5% of the individual participant's compensation. The Organization may also elect to make additional discretionary contributions. Employees become vested in employer contributions ratably over three years. Total expense under the Plan for the years ended June 30, 2018 and 2017, was \$57,342 and \$34,381, respectively. This amount is included in payroll taxes and employee benefits expense on the combined statements of functional expenses.

S U P P L E M E N T A R Y S C H E D U L E S

INDEPENDENT AUDITORS' REPORT ON COMBINING INFORMATION

To the Board of Directors
Food Lifeline and Food Lifeline Foundation
Seattle, Washington

We have audited the combined financial statements of Food Lifeline and Food Lifeline Foundation as of and for the year ended June 30, 2018, and have issued our report thereon dated October 26, 2018, which expressed an unmodified opinion on those combined financial statements, and appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The following combining schedules are presented for the purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and they are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Peterson Sullivan LLP.

October 26, 2018

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	Food Lifeline	Food Lifeline Foundation	Eliminations/ Adjustments	Total
Current Assets				
Cash and cash equivalents	\$ 853,287	\$ 3,285,860	\$ -	\$ 4,139,147
Investments	1,340,956			1,340,956
Grants receivable	269,150			269,150
Contributions receivable, current portion	50,000			50,000
Other receivables	250,695			250,695
Prepaid expenses	280,043			280,043
Inventory	2,935,817			2,935,817
Total current assets	5,979,948	3,285,860		9,265,808
Restricted Cash	202,111			202,111
Contributions Receivable, net	47,804			47,804
Contributions Receivable - Hunger Solution Center, net	2,526,070			2,526,070
Note Receivable		5,182,925		5,182,925
Property and Equipment, net	29,419,809			29,419,809
Total assets	\$ 38,175,742	\$ 8,468,785	\$ -	\$ 46,644,527
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 567,753	\$ -	\$ -	\$ 567,753
Accrued payroll expenses	424,697			424,697
Current portion of loans payable	373,088			373,088
Total current liabilities	1,365,538			1,365,538
Long-Term Liabilities				
Loans payable, net of current portion	14,285,439			14,285,439
Notes payable, net of loan fees	7,357,136			7,357,136
Lease deposit	49,794			49,794
Total long-term liabilities	21,692,369			21,692,369
Total liabilities	23,057,907			23,057,907
Net Assets	15,117,835	8,468,785		23,586,620
Total liabilities and net assets	\$ 38,175,742	\$ 8,468,785	\$ -	\$ 46,644,527

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Food Lifeline</u>	<u>Food Lifeline Foundation</u>	<u>Eliminations/ Adjustments</u>	<u>Total</u>
Revenue				
Contributions				
Foundations and corporations	\$ 5,463,527	\$ 2,000,000	\$ (2,500,000)	\$ 4,963,527
Individuals	3,180,934			3,180,934
In-kind donations	32,994			32,994
Grants from government agencies	3,312,759			3,312,759
Community events	1,230,456			1,230,456
Program revenue	1,212,866			1,212,866
Investment income, net of fees	57,745			57,745
Interest income - note receivable		74,681		74,681
Rental income	711,659			711,659
Other income	375			375
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, excluding in-kind and Hunger Solution Center - campaign contributions	15,203,315	2,074,681	(2,500,000)	14,777,996
Expenses				
Program services	9,017,368	500,113	(2,500,000)	7,017,481
Management and general	1,849,758			1,849,758
Fundraising	2,128,255			2,128,255
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses, excluding food procurement, processing, and distribution, and Hunger Solution Center	12,995,381	500,113	(2,500,000)	10,995,494
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets before food revenue and expense and Hunger Solution Center - campaign	2,207,934	1,574,568		3,782,502
Food Revenue and Expense				
In-kind food contributions revenue	84,475,567			84,475,567
Food procurement, processing, and distribution	(88,905,111)			(88,905,111)
	<hr/>	<hr/>	<hr/>	<hr/>
Net food expense	(4,429,544)			(4,429,544)
	<hr/>	<hr/>	<hr/>	<hr/>
Hunger Solution Center - Campaign				
Contributions	18,224			18,224
Expenses				
	<hr/>	<hr/>	<hr/>	<hr/>
Net Hunger Solution Center - campaign	18,224			18,224
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(2,203,386)	1,574,568		(628,818)
Net Assets, beginning of year	17,321,221	6,894,217		24,215,438
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, end of year	\$ 15,117,835	\$ 8,468,785	\$ -	\$ 23,586,620
	<hr/>	<hr/>	<hr/>	<hr/>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Food Lifeline and Food Lifeline Foundation
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Food Lifeline and Food Lifeline Foundation (collectively, "the Organization"), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Sulli LLP

October 26, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Food Lifeline and Food Lifeline Foundation
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Food Lifeline and Food Lifeline Foundation's (collectively, "the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petersm Sullivan LLP.

October 26, 2018

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Award Description	Agency/ Pass-Through Identifying Award Number	Federal CFDA Number	Federal Expenditures
United States Department of Agriculture			
Passed through the State of Washington			
The Emergency Food Assistance Program ("TEFAP")			
Food Commodities	K2172	10.569*	\$ 7,122,764
Administrative Funds	K2172	10.568*	<u>393,642</u>
Total Food Distribution Cluster			7,516,406
Passed through the State of Washington			
Child and Adult Care Food Program	159468	10.558*	232,528
Passed through the State of Washington			
Summer Food Service Program for Children			
Total Child Nutrition cluster	159468	10.559	<u>28,569</u>
Total U.S. Department of Agriculture			<u>7,777,503</u>
United States Department of Homeland Security			
Passed through United Way of King County			
Emergency Food and Shelter National Board Program	32-8890-00-006	97.024	<u>190,917</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,968,420</u></u>

* Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Food Lifeline and Food Lifeline Foundation (collectively, "the Organization") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented, when available.

The Organization has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. At June 30, 2018, the Organization had food commodities in inventory totaling \$1,107,249 related to the TEFAP program.

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal Control Over Financial Reporting:

Material weaknesses identified: No
Significant deficiencies identified not considered to be material weaknesses: None reported
Noncompliance material to financial statements noted: No

Federal Awards:

Material weaknesses identified: No
Significant deficiencies identified not considered to be material weaknesses: None reported
Type of auditors' report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported: No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.568 / 10.569	U.S. Department of Agriculture - Food Distribution Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000
Auditee qualified as low-risk auditee: Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.