

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED FINANCIAL REPORT

JUNE 30, 2019

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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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 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 September 26, 2019, 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.



September 26, 2019

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 3,942,634	\$ 4,139,147
Investments	1,532,128	1,340,956
Grants receivable	367,361	269,150
Contributions receivable, current portion	25,000	50,000
Other receivables	313,927	250,695
Prepaid expenses	245,472	280,043
Inventory	4,136,624	2,935,817
Total current assets	<u>10,563,146</u>	<u>9,265,808</u>
Restricted Cash	170,861	202,111
Contributions Receivable, net	22,804	47,804
Contributions Receivable - Hunger Solution Center, net	1,118,677	2,526,070
Note Receivable	5,182,925	5,182,925
Property and Equipment, net	28,254,800	29,419,809
Total assets	<u><u>\$ 45,313,213</u></u>	<u><u>\$ 46,644,527</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 259,378	\$ 567,753
Accrued payroll expenses	425,950	424,697
Current portion of loans payable	385,127	373,088
Total current liabilities	<u>1,070,455</u>	<u>1,365,538</u>
Long-Term Liabilities		
Loans payable, net of loan fees and current portion	12,444,220	14,285,439
Notes payable, net of loan fees	7,366,877	7,357,136
Lease deposit	49,794	49,794
Total long-term liabilities	<u>19,860,891</u>	<u>21,692,369</u>
Total liabilities	20,931,346	23,057,907
Net Assets		
Without donor restrictions	24,334,063	23,336,671
With donor restrictions	47,804	249,949
Total net assets	<u>24,381,867</u>	<u>23,586,620</u>
Total liabilities and net assets	<u><u>\$ 45,313,213</u></u>	<u><u>\$ 46,644,527</u></u>

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions						
Foundations and corporations	\$ 3,193,317	\$ -	\$ 3,193,317	\$ 4,962,522	\$ 1,005	\$ 4,963,527
Individuals	4,145,099		4,145,099	3,197,674	1,484	3,199,158
In-kind donations	18,014		18,014	32,994		32,994
Grants from government agencies	2,163,950		2,163,950	3,312,759		3,312,759
Community events	2,351,952		2,351,952	1,230,456		1,230,456
Program revenue	1,478,208		1,478,208	1,212,866		1,212,866
Rental income	736,420		736,420	711,659		711,659
Investment income, net of fees	118,323		118,323	58,120		58,120
Interest income - note receivable	74,681		74,681	74,681		74,681
Net assets released from restrictions	202,145	(202,145)		472,531	(472,531)	
Total revenue, excluding in-kind food	14,482,109	(202,145)	14,279,964	15,266,262	(470,042)	14,796,220
Expenses						
Program services	7,085,738		7,085,738	7,017,481		7,017,481
Management and general	1,908,557		1,908,557	1,849,758		1,849,758
Fundraising	2,506,473		2,506,473	2,128,255		2,128,255
Total expenses, excluding food procurement, processing, and distribution	11,500,768		11,500,768	10,995,494		10,995,494
Change in net assets before food revenue and expense	2,981,341	(202,145)	2,779,196	4,270,768	(470,042)	3,800,726
Food Revenue and Expense						
In-kind food contributions revenue	98,490,766		98,490,766	84,475,567		84,475,567
Food procurement, processing, and distribution	(100,474,715)		(100,474,715)	(88,905,111)		(88,905,111)
Net food expense	(1,983,949)		(1,983,949)	(4,429,544)		(4,429,544)
Change in net assets	997,392	(202,145)	795,247	(158,776)	(470,042)	(628,818)
Net Assets, beginning of year	23,336,671	249,949	23,586,620	23,495,447	719,991	24,215,438
Net Assets, end of year	\$ 24,334,063	\$ 47,804	\$ 24,381,867	\$ 23,336,671	\$ 249,949	\$ 23,586,620

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,611,189	\$ 916,272	\$ 862,374	\$ 5,389,835	\$ 3,356,841	\$ 851,736	\$ 801,634	\$ 5,010,211
Payroll taxes and employee benefits	964,844	185,119	211,987	1,361,950	785,363	145,749	171,030	1,102,142
Total salaries and related expenses	4,576,033	1,101,391	1,074,361	6,751,785	4,142,204	997,485	972,664	6,112,353
Depreciation	896,876	131,893	184,651	1,213,420	875,350	128,728	180,219	1,184,297
Professional fees	142,660	149,850	634,764	927,274	146,190	162,243	557,311	865,744
Interest	519,924	40,118	56,165	616,207	554,722	42,803	59,923	657,448
Occupancy	401,748	161,920	11,236	574,904	327,405	198,465	10,016	535,886
Supplies and postage	91,626	73,882	124,694	290,202	244,001	57,291	62,373	363,665
Advertising and printing	550	36,596	164,524	201,670	12,274	13,340	162,509	188,123
Conferences and travel	77,890	66,495	47,402	191,787	39,357	48,028	15,930	103,315
Repairs and maintenance	131,237			131,237	150,242			150,242
Insurance	105,356	8,129	11,381	124,866	111,571	8,609	12,053	132,233
TEFAP Agency expense	92,333			92,333	236,500			236,500
Telephone	20,489	2,038	2,854	25,381	20,064	2,715	3,216	25,995
Other	29,016	136,245	194,441	359,702	157,601	190,051	92,041	439,693
Total expenses, excluding food procurement, processing, and distribution	7,085,738	1,908,557	2,506,473	11,500,768	7,017,481	1,849,758	2,128,255	10,995,494
Food procurement, processing, and distribution	100,474,715			100,474,715	88,905,111			88,905,111
Total expenses	\$ 107,560,453	\$ 1,908,557	\$ 2,506,473	\$ 111,975,483	\$ 95,922,592	\$ 1,849,758	\$ 2,128,255	\$ 99,900,605

See Notes to Combined Financial Statements

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 795,247	\$ (628,818)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,213,420	1,184,297
Amortization of debt issuance costs	53,649	22,436
Realized and unrealized gains on investments	(45,153)	(9,130)
Contributions restricted for purchase of long-term asset purchases		(18,224)
Changes in operating assets and liabilities		
Grants receivable	(98,211)	(75,206)
Contributions receivable	50,000	340,000
Food inventory	(1,200,807)	1,249,874
Accounts payable and accrued expenses	(308,375)	175,615
Accrued payroll expenses	1,253	67,404
Prepaid expenses and other current receivables	(28,661)	(203,513)
Net cash flows from operating activities	<u>432,362</u>	<u>2,104,735</u>
Cash Flows from Investing Activities		
Proceeds from sales on investments	196,584	151,921
Purchase of investments	(342,603)	(328,515)
Purchase of property and equipment	(48,411)	(416,835)
Net cash flows from investing activities	<u>(194,430)</u>	<u>(593,429)</u>
Cash Flows from Financing Activities		
Contributions received for purchases of long-term assets	1,407,393	2,050,564
Payment of bridge loan		(18,140,000)
Proceeds from loans payable		17,650,000
Financing fees paid on loans payable		(199,771)
Payments on loans payable	(1,873,088)	(2,804,398)
Net cash flows from financing activities	<u>(465,695)</u>	<u>(1,443,605)</u>
Net change in cash and cash equivalents	(227,763)	67,701
Cash and Cash Equivalents, beginning of year	<u>4,341,258</u>	<u>4,273,557</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,113,495</u>	<u>\$ 4,341,258</u>
Supplementary Information		
Cash paid for interest	<u>\$ 562,558</u>	<u>\$ 635,012</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.

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 2019 and 2018 was procured as follows:

	2019	2018
Donated by local food industry	84%	85%
Donated by national food industry (through Feeding America)	1	2
Donated by the U.S. Department of Agriculture	11	8
Purchased	4	5
	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 Human Services Department, and through other federal, state, and local programs. Government cash awards consisted of the following:

	2019	2018
City and county governmental agencies	\$ 1,012,941	\$ 944,195
EFSP	154,174	190,917
Washington State Department of Commerce		1,212,500
Federal and state governmental programs		
TEFAP - The Emergency Food Assistance Program	581,602	393,642
EFAP - Emergency Food Assistance Program	301,122	310,409
TMP - WSDA	114,079	
CACFP - Child and Adult Care Feeding Program	32	198,100
SFSP - Summer Food Service Program		62,996
	\$ 2,163,950	\$ 3,312,759

The funding from the Washington State Department of Commerce in 2018 was a one-time grant for capacity building.

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 two classes of net assets: without donor restrictions and with donor restrictions. Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods and contributions to be received in future years. If the Organization receives a restricted contribution and it meets the restrictions in the same year the contribution is received, then it records the contribution as revenue without donor restrictions. Net assets with donor restrictions are to be used for the following purposes at June 30:

	2019	2018
To be used in future years	\$ 47,804	\$ 97,804
Child nutrition programs		95,000
Purchase of beef		53,979
Rural food distribution		3,166
	\$ 47,804	\$ 249,949

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.

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 cash account as required by the lending agreement.

Cash and cash equivalents as included on the consolidated statements of cash flows consist of the following line items from the consolidated balance sheets at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,942,634	\$ 4,139,147
Restricted cash	170,861	202,111
	<u>\$ 4,113,495</u>	<u>\$ 4,341,258</u>

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>2019</u>	<u>2018</u>
Fixed-income mutual funds		
Intermediate-term bond funds	\$ 425,412	\$ 388,579
High-yield bond funds	93,695	86,117
Global bond funds	145,879	129,677
Equity mutual funds		
Equity income funds	493,682	422,990
Global equity funds	183,606	163,487
Real estate investment trusts	69,690	48,311
Corporate bonds	100,909	71,428
Publicly traded common stocks	19,255	30,367
	<u>\$ 1,532,128</u>	<u>\$ 1,340,956</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>2019</u>	<u>2018</u>
Interest and dividends	\$ 85,333	\$ 59,944
Realized and unrealized gains	45,153	9,130
Investment fees	(12,163)	(10,954)
	<u>\$ 118,323</u>	<u>\$ 58,120</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:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 25,000	\$ 50,000
One to five years	25,000	50,000
	<u>50,000</u>	<u>100,000</u>
Total gross contributions receivable	50,000	100,000
Less: unamortized discount (2% - 3%)	<u>(2,196)</u>	<u>(2,196)</u>
	<u>\$ 47,804</u>	<u>\$ 97,804</u>

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

	<u>2019</u>	<u>2018</u>
Current contributions receivable	\$ 25,000	\$ 50,000
Long-term contributions receivable	22,804	47,804
	<u>\$ 47,804</u>	<u>\$ 97,804</u>

In prior years, 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:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 421,643	\$ 1,268,830
One to five years	771,387	1,343,229
More than five years		50,000
	<u>1,193,030</u>	<u>2,662,059</u>
Total gross contributions receivable	1,193,030	2,662,059
Less: unamortized discount (2% - 4%)	<u>(74,353)</u>	<u>(135,989)</u>
	<u>\$ 1,118,677</u>	<u>\$ 2,526,070</u>

Of the total contributions receivable related to the Hunger Solution Center at June 30, 2019, and 2018, 43% and 42% were due from three and two entities, respectively.

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, 2019 and 2018, no such adjustments were made. Of total grants receivable at June 30, 2019 and 2018, essentially all 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 consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
USDA commodities	\$ 2,153,541	\$ 1,107,249
Donated food	1,767,826	1,216,367
Purchased food	<u>215,257</u>	<u>612,201</u>
	<u>\$ 4,136,624</u>	<u>\$ 2,935,817</u>

Property and Equipment

Property and equipment are 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 consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,665,164	\$ 4,665,164
Building and improvements	24,020,653	24,015,698
Warehouse refrigeration	1,375,832	1,375,832
Office furniture and equipment	1,349,309	1,332,801
Vehicles	1,062,771	1,056,499
Warehouse equipment	<u>919,627</u>	<u>898,539</u>
	33,393,356	33,344,533
Less: accumulated depreciation	<u>(5,138,556)</u>	<u>(3,924,724)</u>
	<u>\$ 28,254,800</u>	<u>\$ 29,419,809</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 \$18,014 and \$32,994 for the years ended June 30, 2019 and 2018, respectively.

Additionally, the Organization received donated auction items, decorations, and supplies for special events that were valued at \$70,544 and \$43,584 for the years ended June 30, 2019 and 2018, 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 \$98,490,766 and \$84,475,567 for the years ended June 30, 2019 and 2018, respectively.

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 costs and delivery charges 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 statements of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. These expenses are allocated as follows:

<u>Expense</u>	<u>Method</u>
Salaries	Estimates of time and effort
Payroll taxes and employee	Estimates of time and effort
Occupancy - utilities	Square foot
Professional fees	Estimates of time and effort
Depreciation	Estimates of time and effort
Insurance	Square foot
Interest	Square foot
Telephone	Estimates of time and effort

Advertising and printing, supplies and postage, repair and maintenance, conferences and travel, grants, and all other expenses, are allocated to a functional expense category on the basis of individual invoices.

Income Taxes

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

Recent Accounting Pronouncement Adopted

During the year ended June 30, 2019, the Organization adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of resources note (see Note 2).

During the year ended June 30, 2019, the Organization also adopted the provisions of ASU 2016-18, Statement of Cash Flows, (Topic 230). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash, and requires that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts presented on the statements of cash flows. The adoption of this ASU did not have a material effect on the Organization's combined financial statements.

Reclassifications

Certain amounts from the June 30, 2018, 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 September 26, 2019.

Note 2. Liquidity and Availability of Resources

The Organization maintains liquid financial assets sufficient to cover five months of general operating expenses. Financial assets in excess of monthly cash requirements are held in money market funds and other short-term investments as well as invested conservatively in a diversified portfolio of financial assets (see Note 1 for investment portfolio detail). The investment portfolio is professionally managed to meet Food Lifeline's Board approved criteria for allocation across asset classes and risk tolerance.

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available include cash restricted to settle certain debt related obligations, and long-term notes and contribution receivables not expected to be collected within one year.

Cash and cash equivalents	\$ 4,113,495
Investments	1,532,128
Grants receivable	367,361
Contributions receivable	1,166,481
Other receivables	313,927
Note receivable	<u>5,182,925</u>
 Total financial assets	 12,676,317
 Less: Restricted cash	 (170,861)
Less: Long-term contributions receivable	(1,141,481)
Less: Long-term note receivable	<u>(5,182,925)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 6,181,050</u>

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, 2019, 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:

2020 - 2023	\$ -
2024	84,054
2025 - 2029	1,048,989
2030 - 2034	1,127,303
2035 - 2039	1,211,465
2040 - 2044	1,301,909
2045 - 2046	<u>409,205</u>
	<u>\$ 5,182,925</u>

Note 4. Debt

Loan Payable

In prior years, 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, 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>2019</u>	<u>2018</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	<u>1,945,222</u>	<u>1,945,222</u>
	7,625,000	7,625,000
Less: unamortized loan fees	<u>(258,123)</u>	<u>(267,864)</u>
	<u>\$ 7,366,877</u>	<u>\$ 7,357,136</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 rates 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 are being amortized over the term of the debt.

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

2020 - 2022	\$ -
2023	308,081
2024	291,451
2025 - 2029	1,501,765
2030 - 2034	1,578,730
2035 - 2039	1,659,639
2040 - 2044	1,744,694
2045 - 2046	<u>540,640</u>
	<u>\$ 7,625,000</u>

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

Notes Payable

The Washington State House Finance Commission issued special nonprofit revenue bonds to fund a 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 loan was paid in full as of June 30, 2019.

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, a liquidity ratio and a debt coverage ratio. The Organization was in compliance with these covenants as of June 30, 2019.

The loans payable balance consists of the follow at June 30:

	<u>2019</u>	<u>2018</u>
Series A Loan	\$ -	\$ 1,500,000
Series B Loan	<u>12,972,515</u>	<u>13,345,603</u>
	12,972,515	14,845,603
Less: unamortized loan fees	<u>(143,168)</u>	<u>(187,076)</u>
	12,829,347	14,658,527
Less: current portion	<u>385,127</u>	<u>373,088</u>
	<u>\$ 12,444,220</u>	<u>\$ 14,285,439</u>

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

2020	\$ 385,127
2021	397,554
2022	410,382
2023	423,624
2024	437,293
Thereafter	<u>10,918,535</u>
	<u>\$ 12,972,515</u>

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. In the event the put/call option is exercised, certain amounts and disclosures in these financial statements may be significantly impacted, including the potential to recognize a significant gain by the Organization.

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 \$1,212,500. The Organization did not receive any contingent contributions from government agencies for the year ended June 30, 2019. Both prior year 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. 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 6% of the individual participant's compensation through August 2018. Effective September 2018, the Organization matches 50% of participants' contributions to the Plan up to 7% 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, 2019 and 2018, was \$68,543 and \$57,342, 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, 2019, and have issued our report thereon dated September 26, 2019, 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 our 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.

September 26, 2019

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS	Food Lifeline	Food Lifeline Foundation	Eliminations/ Adjustments	Total
Current Assets				
Cash and cash equivalents	\$ 2,082,093	\$ 1,860,541	\$ -	\$ 3,942,634
Investments	1,532,128			1,532,128
Grants receivable	367,361			367,361
Contributions receivable, current portion	25,000			25,000
Other receivables	313,927			313,927
Prepaid expenses	245,472			245,472
Inventory	4,136,624			4,136,624
Total current assets	8,702,605	1,860,541		10,563,146
Restricted Cash	170,861			170,861
Contributions Receivable, net	22,804			22,804
Contributions Receivable - Hunger Solution Center, net	1,118,677			1,118,677
Note Receivable		5,182,925		5,182,925
Property and Equipment, net	28,254,800			28,254,800
Total assets	\$ 38,269,747	\$ 7,043,466	\$ -	\$ 45,313,213
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 259,378	\$ -	\$ -	\$ 259,378
Accrued payroll expenses	425,950			425,950
Current portion of loans payable	385,127			385,127
Total current liabilities	1,070,455			1,070,455
Long-Term Liabilities				
Loans payable, net of loan fees and current portion	12,444,220			12,444,220
Notes payable, net of loan fees	7,366,877			7,366,877
Lease deposit	49,794			49,794
Total long-term liabilities	19,860,891			19,860,891
Total liabilities	20,931,346			20,931,346
Net Assets	17,338,401	7,043,466		24,381,867
Total liabilities and net assets	\$ 38,269,747	\$ 7,043,466	\$ -	\$ 45,313,213

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Food Lifeline</u>	<u>Food Lifeline Foundation</u>	<u>Eliminations/ Adjustments</u>	<u>Total</u>
Revenue				
Contributions				
Foundations and corporations	\$ 4,693,317	\$ -	\$ (1,500,000)	\$ 3,193,317
Individuals	4,145,099			4,145,099
In-kind donations	18,014			18,014
Grants from government agencies	2,163,950			2,163,950
Community events	2,351,952			2,351,952
Program revenue	1,478,208			1,478,208
Investment income, net of fees	118,323			118,323
Interest income - note receivable		74,681		74,681
Rental income	736,420			736,420
	<u>15,705,283</u>	<u>74,681</u>	<u>(1,500,000)</u>	<u>14,279,964</u>
Total revenue, excluding in-kind food				
Expenses				
Program services	7,085,738	1,500,000	(1,500,000)	7,085,738
Management and general	1,908,557			1,908,557
Fundraising	2,506,473			2,506,473
	<u>11,500,768</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>11,500,768</u>
Total expenses, excluding food procurement, processing, and distribution				
	<u>11,500,768</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>11,500,768</u>
Change in net assets before food revenue and expense				
	4,204,515	(1,425,319)		2,779,196
Food Revenue and Expense				
In-kind food contributions revenue	98,490,766			98,490,766
Food procurement, processing, and distribution	(100,474,715)			(100,474,715)
	<u>(1,983,949)</u>			<u>(1,983,949)</u>
Net food expense				
	<u>(1,983,949)</u>			<u>(1,983,949)</u>
Change in net assets				
	2,220,566	(1,425,319)		795,247
Net Assets, beginning of year				
	<u>15,117,835</u>	<u>8,468,785</u>		<u>23,586,620</u>
Net Assets, end of year				
	<u>\$ 17,338,401</u>	<u>\$ 7,043,466</u>	<u>\$ -</u>	<u>\$ 24,381,867</u>

S U P P L E M E N T A R Y R E P O R T S A N D
S C H E D U L E S I N A C C O R D A N C E W I T H
G O V E R N M E N T A U D I T I N G S T A N D A R D S
A N D T H E U N I F O R M G U I D A N C E

**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, 2019, 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 September 26, 2019.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Sulli LLP.

September 26, 2019

**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, 2019. 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, 2019.

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.

Peterson Sullivan LLP.

September 26, 2019

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/Program Title	Award Number	CFDA Number	Federal Expenditures
Department of Agriculture			
<i>Food Distribution Cluster</i>			
Passed through the State of Washington			
The Emergency Food Assistance Program ("TEFAP")			
Food Commodities*	K2172	10.569*	\$ 6,867,661
Administrative Funds*	K2172	10.568*	581,602
Total Food Distribution Cluster			7,449,263
Passed through the State of Washington			
The Trade Mitigation Program Eligible Recipient			
Agency Operational Funds ("TMP")			
Food Commodities*	K2172	10.178*	3,426,624
Administrative Funds*	K2172	10.178*	114,079
Total Trade Mitigation Program Eligible			
Recipient Agency Operational			
Funds ("TMP") Program			3,540,703
Passed through the State of Washington			
Child and Adult Care Food Program ("CAFCP")			
	159468	10.558	(33)
Total Department of Agriculture			10,989,933
Department of Homeland Security			
Passed through United Way of King County			
Emergency Food and Shelter National Board Program			
	34-8890-00-006	97.024	154,147
Total Department of Homeland Security			154,147
Total federal expenditures			\$ 11,144,080

* 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, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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, 2019, the Organization had food commodities in inventory relating the following programs:

TEFAP	\$ 1,074,993
TMP	1,078,548
	<hr/>
	\$ 2,153,541
	<hr/> <hr/>

FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

A. Summary of Audit Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

Material weaknesses identified: None reported

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: None reported

Federal Awards:

Material weaknesses identified: None reported

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: None reported

Identification of Major Programs:

<u>Program Title</u>	<u>CFDA Number</u>
TEFAP Program	10.568 / 10.569
TMP Program	10.178

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee: Yes

B. Findings - Financial Statement Audit None reported

C. Findings and Questioned Costs - Major Federal Award Programs Audit None reported