

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

Combined Financial Statements and Reports and Schedules in  
Accordance with *Government Auditing Standards* and Required by the  
Uniform Guidance

June 30, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Combined Financial Statements**

#### ***Opinion***

We have audited the 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, 2023, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization as of June 30, 2023, and its change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, the Organization and U.S. Bancorp (US Bank) executed a purchase agreement at the end of the recapture and compliance period of the New Markets Tax Credit in 2022. As a result, the Organization: 1) purchased the lenders' interest (under the Twain Investment Fund 132, LLC (Twain)) in the loans for \$1,000, 2) cancelled the debt from the USBCDE Sub-CDE 136, LLC and CCG Sub-CDE 35, LCC, 3) cancelled the loan receivable from Twain to the Organization, and 4) dissolved Twain.

Our opinion is not modified with respect to this matter.

#### ***Prior Period Financial Statements***

The financial statements of the Organization as of June 30, 2022, were audited by other auditors whose report dated March 30, 2023, expressed an unmodified opinion on those statements.

#### ***Responsibilities of Management for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position as of June 30, 2023, and the combining statement of activities for the year then ended, are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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### **Supplemental Reports and Schedules in Accordance *Government Auditing Standards* and Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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, 2023 on our consideration of the Organization's internal control over financial reporting and 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 the 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.

*Greenwood Ohlund*

Seattle, Washington  
October 26, 2023

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### COMBINED STATEMENTS OF FINANCIAL POSITION June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 6,421,018	\$ 13,846,030
Investments	24,170,793	16,866,205
Government grants receivable	1,781,589	371,319
Contributions receivable	432,322	324,291
Other receivables	276	39,720
Prepaid expenses	503,432	412,343
Inventory	2,442,562	2,494,011
Total current assets	35,751,992	34,353,919
Restricted Cash	-	50,111
Contributions Receivable, net of current portion and discount	-	283,558
Note Receivable	-	5,182,925
Property and Equipment, net	26,927,013	27,536,752
Total assets	\$ 62,679,005	\$ 67,407,265
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,389,449	\$ 1,970,583
Accrued payroll expenses	727,501	635,606
Current portion of loans payable	477,137	462,284
Current portion of notes payable	-	308,081
Total current liabilities	3,594,087	3,376,554
Refundable Advances	1,786,110	1,911,110
Loans Payable, net of debt issuance costs and current portion	9,645,256	9,997,703
Notes Payable, net of debt issuance costs and current portion	-	7,088,017
Lease Deposit	-	49,794
Total liabilities	15,025,453	22,423,178
Net Assets		
Without donor restrictions		
Undesignated	35,193,552	32,249,796
Board-designated	12,460,000	12,460,000
Total net assets without donor restrictions	47,653,552	44,709,796
With donor restrictions	-	274,291
Total net assets	47,653,552	44,984,087
Total liabilities and net assets	\$ 62,679,005	\$ 67,407,265

*See accompanying notes to combined financial statements.*

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### COMBINED STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions						
Foundations and corporations	\$ 5,677,454	\$ -	\$ 5,677,454	\$ 7,892,259	\$ -	\$ 7,892,259
Individuals	7,707,391	-	7,707,391	8,132,166	274,291	8,406,457
In-kind donations	91,482	-	91,482	638,896	-	638,896
Government grants	11,206,059	-	11,206,059	8,206,730	-	8,206,730
Community events	1,191,692	-	1,191,692	1,439,114	-	1,439,114
Program revenue	876,175	-	876,175	76,920	-	76,920
Rental income	14,100	-	14,100	535,212	-	535,212
Investment return	1,727,007	-	1,727,007	(2,010,071)	-	(2,010,071)
Interest income – note receivable	47,505	-	47,505	74,681	-	74,681
Gain on sale of property and equipment	-	-	-	21,380	-	21,380
Net assets released from restrictions	274,291	(274,291)	-	-	-	-
Total support and revenue	28,813,156	(274,291)	28,538,865	25,007,287	274,291	25,281,578
Expenses						
Program services	12,191,083	-	12,191,083	9,880,385	-	9,880,385
Management and general	3,156,719	-	3,156,719	2,538,496	-	2,538,496
Fundraising	2,906,371	-	2,906,371	2,650,178	-	2,650,178
Total expenses, excluding food procurement, processing, and distribution	18,254,173	-	18,254,173	15,069,059	-	15,069,059
Change in net assets before food revenue and expense and gain on unwind of NMTC	10,558,983	(274,291)	10,284,692	9,938,228	274,291	10,212,519
Food Revenue and Expense						
In-kind food contributions revenue	130,762,785	-	130,762,785	102,799,623	-	102,799,623
Food procurement, processing, and distribution	(140,403,685)	-	(140,403,685)	(119,150,933)	-	(119,150,933)
Net food expense	(9,640,900)	-	(9,640,900)	(16,351,310)	-	(16,351,310)
Gain on Unwind of New Markets Tax Credit (NMTC) Project	2,025,673	-	2,025,673	-	-	-
<b>Change in net assets</b>	<b>2,943,756</b>	<b>(274,291)</b>	<b>2,669,465</b>	<b>(6,413,082)</b>	<b>274,291</b>	<b>(6,138,791)</b>
Net Assets, beginning of year	44,709,796	274,291	44,984,087	51,122,878	-	51,122,878
Net Assets, end of year	\$ 47,653,552	\$ -	\$ 47,653,552	\$ 44,709,796	\$ 274,291	\$ 44,984,087

*See accompanying notes to combined financial statements.*

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,904,566	\$ 1,328,527	\$ 1,180,913	\$ 8,414,006	\$ 4,932,033	\$ 1,111,444	\$ 1,180,909	\$ 7,224,386
Payroll taxes and benefits	1,602,639	360,594	320,528	2,283,761	1,217,986	274,476	291,630	1,784,092
Total salaries and related	7,507,205	1,689,121	1,501,441	10,697,767	6,150,019	1,385,920	1,472,539	9,008,478
Depreciation	1,015,911	228,580	203,182	1,447,673	875,361	191,485	205,163	1,272,009
Professional fees	322,267	321,427	666,982	1,310,676	184,895	239,324	336,047	760,266
Dues, service fees and other	132,939	558,864	191,066	882,869	19,060	422,300	22,464	463,824
Grants to other organizations	846,910	-	5,700	852,610	426,732	-	-	426,732
Occupancy	810,106	22,918	17,071	850,095	702,160	50,579	13,425	766,164
Temporary labor	464,099	64,501	-	528,600	492,061	62,034	-	554,095
Supplies and postage	307,070	67,768	79,349	454,187	270,993	70,596	140,569	482,158
Interest	302,942	52,142	46,348	401,432	428,410	38,300	41,035	507,745
Repairs and maintenance	212,805	-	11,171	223,976	155,692	-	-	155,692
Insurance	179,419	17,590	15,636	212,645	137,417	12,285	13,163	162,865
Conferences and travel	64,891	128,005	12,673	205,569	15,307	57,229	2,827	75,363
Advertising and printing	3,283	1,025	151,505	155,813	119	3,711	397,898	401,728
Telephone	21,236	4,778	4,247	30,261	22,159	4,733	5,048	31,940
Total expenses, excluding food procurement, processing, and distribution	12,191,083	3,156,719	2,906,371	18,254,173	9,880,385	2,538,496	2,650,178	15,069,059
Food procurement, processing, and distribution	140,403,685	-	-	140,403,685	119,150,933	-	-	119,150,933
Total expenses	\$ 152,594,768	\$ 3,156,719	\$ 2,906,371	\$ 158,657,858	\$ 129,031,318	\$ 2,538,496	\$ 2,650,178	\$ 134,219,992

*See accompanying notes to combined financial statements.*



## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### COMBINED STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 2,669,465	\$ (6,138,791)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,447,673	1,272,009
Gain on unwind of NMTC	(2,025,673)	-
Gain on sale of property and equipment	-	(21,380)
Realized and unrealized (gains) losses on investments	(1,079,151)	2,312,102
Changes in operating assets and liabilities:		
Government grants receivable	(1,410,270)	277,900
Contributions receivable	175,527	18,457
Other receivables	39,444	-
Prepaid expenses and other current receivables	(91,089)	(75,413)
Food inventory	51,449	7,103,179
Accounts payable and accrued expenses	418,866	919,154
Accrued payroll expenses	91,895	(75,312)
Lease deposit	(49,794)	-
Refundable advances	(125,000)	1,911,110
Net cash flows from operating activities	113,342	7,503,015
Cash Flows from Investing Activities		
Proceeds from sales of investments	8,233,956	1,786,865
Purchases of investments	(14,459,393)	(17,715,962)
Purchase of property and equipment	(837,934)	(2,405,508)
Net cash flows from investing activities	(7,063,371)	(18,334,605)
Cash Flows from Financing Activities		
Contributions received for purchases long-term assets	-	(144,465)
Payments on notes payable	(187,500)	-
Payments on loans payable	(337,594)	(1,589,299)
Net cash flows from financing activities	(525,094)	(1,733,764)
<b>Net change in cash and cash equivalents</b>	<b>(7,475,123)</b>	<b>(12,565,354)</b>
Cash and Cash Equivalents, beginning of year	13,896,141	26,461,495
Cash and Cash Equivalents, end of year	\$ 6,421,018	\$ 13,896,141
Cash and Cash Equivalents as Presented on the Combined Statements of Financial Position		
Cash and cash equivalents	\$ 6,421,018	\$ 13,846,030
Restricted cash	-	50,111
	\$ 6,421,018	\$ 13,896,141
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 401,432	\$ 491,825

*See accompanying notes to combined financial statements.*

# FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

## NOTES TO COMBINED FINANCIAL STATEMENTS

### Note 1 – Organization and Summary of 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 of America.

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 pounds of food distributed by Food Lifeline was procured as follows for the years ended June 30:

	2023	2022
Donated by local food industry	82%	73%
Donated by national food industry through Feeding America	1%	-
Donated by the U.S. Department of Agriculture	8%	14%
Purchased	9%	13%
	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 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 consist of the following for the years ended June 30:

	2023	2022
City and county governmental agencies	\$ 1,627,053	\$ 1,481,954
Federal and state governmental programs		
We Feed Washington	7,837,262	4,899,875
TEFAP – The Emergency Food Assistance Program	1,317,607	870,649
EFAP – Emergency Food Assistance Program	374,137	353,222
EFSP – Emergency Food and Shelter Program	50,000	580,000
WSDA Fresh Box	-	21,030
	\$ 11,206,059	\$ 8,206,730

# FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

## NOTES TO COMBINED FINANCIAL STATEMENTS

### *Principles of Combination*

The combined financial statements include the accounts of Food Lifeline and the Foundation (collectively, the financial statements). These entities are collectively referred to as the Organization in these 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 of America 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 accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. 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 are recorded depending on the existence and/or nature of any donor restrictions.

### *Net Assets without Donor Restrictions*

Net assets without donor restrictions consist of net assets that are not subject to donor-imposed stipulations. Included in net assets without donor restrictions are net assets that are designated by the Board of Directors for specific operating expenses, which amount to \$12,460,000 at June 30, 2023 and 2022, respectively.

### *Net Assets with Donor Restrictions*

Net assets with donor restrictions consist of unexpended unconditional contributions and pledges restricted for particular purposes or time periods. Restricted contributions for which the restrictions are met within the same reporting the contributions are received are recognized as increases in net assets without donor restrictions. As of June 30, 2022, net assets with donor restrictions consist of \$274,291 to be used in future years. There were no donor net assets with donor restrictions as of June 30, 2023.

### *New Markets Tax Credit and Unwind*

The New Markets Tax Credit program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDEs). These entities use capital derived from tax credits to make loans or investments in businesses and projects in low-income areas.

In 2015, the Organization entered into a New Markets Tax Credit transaction to help finance building improvements for the Hunger Solution Center. This financing included a loan receivable made from the Organization to Twain Investment Fund 132, LLC (Twain, a QEI) of \$5,182,925, and notes payable issued in the form of four separate promissory notes totaling \$7,625,000 from the Organization to USBCDE Sub-CDE 136, LLC and CCG Sub-CDE 35, LLC (collectively, the CDEs).

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

As part of the New Markets Tax Credit financing, the Organization and U.S. Bancorp (US Bank) entered into a put/call option agreement to take place in August 2022 at the end of the seven-year New Markets Tax Credit compliance period. Under the agreement, US Bank can exercise a put option to sell its interest in Twain (wholly owned by US Bank), the tax credit investor/lender, for \$1,000 to the Organization. Twain holds a 99.99% ownership of each of the CDEs.

In December 2022, US Bank exercised the put option and sold its interest in Twain to the Organization. Simultaneously, the Organization cancelled its loan receivable from Twain, repaid \$187,500 of the notes payable to the CDEs, and cancelled the remaining notes payable to the CDEs resulting in a gain on the unwind as follows:

Cancellation of loan receivable from Twain	\$ (5,182,925)
Cancellation of loans payable to the CDEs	7,437,500
Accelerated amortization of debt issuance costs	<u>(228,902)</u>
	<u>\$ 2,025,673</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.

As noted below, investments are stated at fair value in these financial statements.

#### *Cash and Cash Equivalents and Restricted Cash*

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 equivalents. The Organization has amounts deposited with financial institutions in excess of federally insured limits.

#### *Investments*

All investments are stated at fair value using Level 1 inputs under the fair value hierarchy above (quoted prices in active markets). Investments that are donated are recorded at fair value on the date of receipt.

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

Investments consist of the following at June 30:

	2023	2022
Fixed income mutual funds		
Intermediate-term bond funds	\$ 5,833,191	\$ 1,593,629
High-yield bond funds	1,485,559	954,237
Short-term bond funds	394,477	-
Global bond funds	-	1,097,534
Balanced funds	-	552,726
Equity mutual funds		
Equity income funds	11,582,482	3,437,819
Global equity funds	2,491,701	3,112,966
Real estate investment trusts	-	54,772
Bonds		
Government	2,383,383	5,977,056
Convertible	-	75,340
Corporate	-	10,126
	\$ 24,170,793	\$ 16,866,205

Investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less investment fees.

#### *Government Grants Revenue/Receivable*

Government grants consist of grants and contracts administered by various federal, state, and local governmental agencies awarded to the Organization. Revenue is recognized when the grant is made unless the award is conditional and contains a barrier to collecting grant funds. Barriers for grants awarded to the Organization primarily consist of activity barriers and/or barriers for performance based on output of units. Refundable advances consist of conditional revenue where the cash has been received but the conditions have not yet been met. Grants receivable consist of grant awards where the barrier has been met and amounts are billable under the award agreement.

These grants and contracts are 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, 2023 and 2022, no such adjustments were made. Of total grants receivable at June 30, 2023 and 2022, 43% and 99% were due from one and two government agencies, respectively.

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### *Contributions Revenue/ Receivable*

Contributions revenue (including those generated from community events) are recognized when the unconditional award is made. 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 future cash flows. 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:

	2023	2022
Amounts due in		
Less than one year	\$ 432,322	\$ 324,291
One to five years	-	305,248
	<hr/>	<hr/>
Total gross contributions receivable	432,322	629,539
Less: Unamortized discount (2% - 5%)	-	(21,690)
	<hr/>	<hr/>
	<u>\$ 432,322</u>	<u>\$ 607,849</u>

Contributions receivable are presented in the statements of financial position as follows at June 30:

	2023	2022
Contributions receivable, current portion	\$ 432,322	\$ 324,291
Contributions receivable, noncurrent portion	-	283,558
	<hr/>	<hr/>
	<u>\$ 432,322</u>	<u>\$ 607,849</u>

Of the total contributions receivable at June 30, 2022, 92%, were due from three donors. There were no such concentrations at June 30, 2023.

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## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### *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 using the first-in, first-out method. Food inventory consists of the following at June 30:

	2023	2022
Donated food	\$ 1,243,332	\$ 1,298,728
USDA commodities	424,844	605,179
Purchased food	774,386	590,104
	\$ 2,442,562	\$ 2,494,011

#### *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 using 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. Estimated useful lives are as follows:

	Years
Building and improvements	5-39
Warehouse refrigeration	15
Warehouse equipment	5-20
Office furniture and equipment	5-20
Vehicles	5

Property and equipment consist of the following at June 30:

	2023	2022
Building and improvements	\$ 24,041,489	\$ 24,023,753
Warehouse refrigeration	3,428,295	3,352,264
Office furniture and equipment	1,564,910	1,546,876
Vehicles	1,869,418	1,588,574
Warehouse equipment	1,577,683	1,132,392
	32,481,795	31,643,859
Less: Accumulated depreciation	(10,219,946)	(8,772,271)
	22,261,849	22,871,588
Land	4,665,164	4,665,164
	\$ 26,927,013	\$ 27,536,752

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### *In-Kind Donations*

Food Lifeline receives significant in-kind contributions from a variety of agencies and community partners. All in-kind donations received directly or indirectly support food procurement and distribution to agency partners. Donated space is valued at the fair value of similar properties available in commercial real estate listings. With the exception of donated food, Food Lifeline recognizes in-kind contribution revenue and a corresponding expense at the estimated fair value at the time the donation is received. Donated food is recognized as in-kind revenue at a standard cost determined by Feeding America. For the years ended June 30, 2023 and 2022, that standard cost was \$1.79 per pound, respectively. Donated food revenue is recorded when the donation is received and expensed when the donation is distributed to agency partners.

Donated services are recognized if the services create or enhance nonfinancial assets, require specialized skills, are provided by individuals with those skills, and would have been purchased if not donated. Services are recognized at the fair value of the service received based on amounts paid for comparable services and information provided by the donor. Donated services recognized in these combined financial statements primarily include legal fees. These revenues are included in in-kind donations in the statements of activities, and the related expenses and are included in their natural expense classifications in the statements of functional expenses.

All in-kind donations received by the Organization, including donated food and use of space, are used in programs or other activities. The Organization does not sell any in-kind donations.

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.

In-kind donations consist of the following for the year ended June 30, 2023:

	<u>Space and Other</u>	<u>Goods</u>	<u>Total</u>
Food procurement, processing, and distribution	\$ -	\$ 130,762,785	\$ 130,762,785
Other	91,482	-	91,482
	<u>\$ 91,482</u>	<u>\$ 130,762,785</u>	<u>\$ 130,854,267</u>

In-kind donations consist of the following for the year ended June 30, 2022:

	<u>Space and Other</u>	<u>Goods</u>	<u>Total</u>
Food procurement, processing, and distribution	\$ -	\$ 102,799,623	\$ 102,799,623
Occupancy	637,881	-	637,881
Other	-	1,015	1,015
	<u>\$ 637,881</u>	<u>\$ 102,800,638</u>	<u>\$ 103,438,519</u>



# FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

## NOTES TO COMBINED FINANCIAL STATEMENTS

### *Program Revenue*

The Organization has a program called Order Up! where participating agencies can purchase specific types of items and the Organization purchases and delivers them to the requesting agency (the performance obligations). Orders are also received for excess pallets on hand. 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. As of June 30, 2023 and 2022, advertising and printing costs were \$155,813 and \$401,728, respectively.

### *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 and functional expenses. 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 benefits	Estimates of time and effort
Occupancy	Square footage
Professional fees	Estimates of time and effort
Depreciation	Square footage
Insurance	Square footage
Interest	Square footage
Telephone	Estimates of time and effort

Advertising and printing, supplies and postage, repair and maintenance, conferences and travel, grants, and all other expenses, are attributed directly to a functional expense category without allocation.

### *Federal Income Taxes*

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

### *Reclassifications*

Certain prior year balances have been reclassified to conform to the current year presentation.

### *Subsequent Events*

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was October 26, 2023.

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### **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, 2023 and 2022, 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, notes and contributions receivable not expected to be collected within one year, and Board-designated net assets.

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 6,421,018	\$ 13,896,141
Investments	24,170,793	16,866,205
Government grants receivable	1,781,589	371,319
Contributions receivable	432,322	607,849
Other receivables	276	39,720
Note receivable	-	5,182,925
	32,805,998	36,964,159
Amounts not available for general use within one year		
Restricted cash	-	(50,111)
Noncurrent contributions receivable	-	(283,558)
Noncurrent note receivable	-	(5,182,925)
Net assets with Board-designations	(12,460,000)	(12,460,000)
	\$ 20,345,998	\$ 18,987,565

#### **Note 3 – Loans Payable**

The Organization has an outstanding Series B loan payable with US Bank, payable in monthly principal and interest payments of \$66,009 through maturity of August 2024, with interest at 3.18%. The loan is secured by essentially all assets of the Organization.

The outstanding loan payable has 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, 2023.

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

The loan payable is summarized as follows at June 30:

	2023	2022
Series B Loan	\$ 10,231,101	\$ 10,584,615
Less: Unamortized loan fees	(108,708)	(124,628)
	10,122,393	10,459,987
Less: Current portion	(477,137)	(462,284)
	\$ 9,645,256	\$ 9,997,703

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

2024	\$ 477,132
2025	492,533
2026	508,426
2027	524,831
2028	541,767
Thereafter	7,915,298
	\$ 10,459,987

#### **Note 4 – Contingent Contributions**

The Organization 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 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. 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.

During the year ended June 30, 2022, the Organization received contributions from a government agency to build additional freezer space in the Hunger Solution Center for \$1,786,110. Similar to the contributions described above, if the Hunger Solution Center is sold or is not operating for the intended purpose prior to the end the 10-year period, the Organization will be required to repay the contribution plus interest.

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### **Note 5 – 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 8% 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, 2023 and 2022, was \$287,427 and \$249,108, respectively. This amount is included in payroll taxes and employee benefits expense on the combined statements of functional expenses.

## **SUPPLEMENTAL INFORMATION**

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS	Food Lifeline	Food Lifeline Foundation	Total
Current Assets			
Cash and cash equivalents	\$ 3,643,387	\$ 2,777,631	\$ 6,421,018
Investments	-	24,170,793	24,170,793
Government grants receivable	1,781,589	-	1,781,589
Contributions receivable	432,322	-	432,322
Other receivables	276	-	276
Prepaid expenses	503,432	-	503,432
Inventory	2,442,562	-	2,442,562
	8,803,568	26,948,424	35,751,992
Total current assets			
Property and Equipment, net	26,927,013	-	26,927,013
	\$ 35,730,581	\$ 26,948,424	\$ 62,679,005
	\$ 35,730,581	\$ 26,948,424	\$ 62,679,005
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	\$ 2,389,449	\$ -	\$ 2,389,449
Accrued payroll expenses	727,501	-	727,501
Current portion of loans payable	477,137	-	477,137
	3,594,087	-	3,594,087
Total current liabilities			
Refundable Advances	1,786,110	-	1,786,110
Loans Payable, net of debt issuance costs and current portion	9,645,256	-	9,645,256
	15,025,453	-	15,025,453
Total liabilities			
Net Assets			
Without donor restrictions			
Undesignated	8,245,128	26,948,424	35,193,552
Board-designated	12,460,000	-	12,460,000
	20,705,128	26,948,424	47,653,552
Total net assets without donor restrictions			
With donor restrictions	-	-	-
	20,705,128	26,948,424	47,653,552
Total net assets			
Total liabilities and net assets	\$ 35,730,581	\$ 26,948,424	\$ 62,679,005
	\$ 35,730,581	\$ 26,948,424	\$ 62,679,005

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	Food Lifeline	Food Lifeline Foundation	Total
Support and revenue			
Contributions			
Foundations and corporations	\$ 5,677,454	\$ -	\$ 5,677,454
Individuals	7,707,391	-	7,707,391
In-kind donations	91,482	-	91,482
Government grants	11,206,059	-	11,206,059
Community events	1,191,692	-	1,191,692
Program revenue	876,175	-	876,175
Rental income	14,100	-	14,100
Investment return	7,161	1,719,846	1,727,007
Interest income - note receivable	-	47,505	47,505
Intercompany	3,861,320	(3,861,320)	-
Total support and revenue	30,632,834	(2,093,969)	28,538,865
Expenses			
Program services	12,191,083	-	12,191,083
Management and general	3,156,719	-	3,156,719
Fundraising	2,906,371	-	2,906,371
Total expenses, excluding food procurement, processing, and distribution	18,254,173	-	18,254,173
Change in net assets before food revenue and expense and gain (loss) on unwind of NMTC	12,378,661	(2,093,969)	10,284,692
Food Revenue and Expense			
In-kind food contributions revenue	130,762,785	-	130,762,785
Food procurement, processing, and distribution	(140,403,685)	-	(140,403,685)
Net food expense	(9,640,900)	-	(9,640,900)
Gain (Loss) on Unwind of NMTC	7,208,598	(5,182,925)	2,025,673
<b>Change in net assets</b>	<b>9,946,359</b>	<b>(7,276,894)</b>	<b>2,669,465</b>
Net Assets, beginning of year	10,758,769	34,225,318	44,984,087
Net Assets, end of year	\$ 20,705,128	\$ 26,948,424	\$ 47,653,552

**SUPPLEMENTAL REPORTS AND SCHEDULES IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS* AND REQUIRED BY  
THE UNIFORM GUIDANCE**



Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of Food Lifeline and Food Lifeline Foundation (collectively, the Organization), which comprise the combined statement of financial position as of June 30, 2023, 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 (collectively, the financial statements), and have issued our report thereon dated October 26, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 financial statements. 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*.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



### **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.

*Greenwood Ohlund*

Seattle, Washington  
October 26, 2023

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL 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 Major Federal Program**

***Opinion on 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 the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; 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).

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibility of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Greenwood Ohlund*

Seattle, Washington  
October 26, 2023

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Federal Grantor/Program Titles	Federal Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Food Distribution Cluster				
<i>Passed through Washington State Department of Agriculture</i>				
COVID-19 – Emergency Food Assistance Program (Administrative Costs)	10.568	K2770	\$ 108,669	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	K2770	766,988	-
Total Assistance Listing 10.568			875,657	-
Emergency Food Assistance Program (Food Commodities)	10.569	K2770	7,592,763	5,871,601
Emergency Food Assistance Program (Food Commodities) – Commodity Credit Corporation	10.569	K2770	734,917	541,581
Total Assistance Listing 10.569			8,327,680	6,413,182
Total Food Distribution Cluster			9,203,337	6,413,182
<i>Passed through Washington State Department of Agriculture</i>				
The Emergency Food Assistance Program Commodity Credit Corporation Eligible Recipient Funds	10.187	K2770	28,770	-
<b>Total U.S. Department of Agriculture</b>			<b>9,232,107</b>	<b>6,413,182</b>
<b>U.S. Department of the Treasury</b>				
<i>Passed through Washington State Department of Agriculture</i>				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	K3981	4,369,532	-
<i>Passed through Hopelink</i>				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	K3486	267,158	-
<b>Total Assistance Listing 21.027 and U.S. Department of the Treasury</b>			<b>4,636,690</b>	-

*The accompanying notes are an integral part of this schedule.*

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Federal Grantor/Program Titles	Federal Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Environmental Protection Agency</b>				
<i>Passed through City of Seattle</i>				
Hazardous Waste Management State Program Support	66.808	02J05201	3,174	-
<b>Total U.S. Environmental Protection Agency</b>			<b>3,174</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>				
<i>Passed through United Way of King County</i>				
COVID-19 – Emergency Food and Shelter National Board Program	97.024	34-8890-00-006	50,000	49,792
<b>Total U.S. Department of Homeland Security</b>			<b>50,000</b>	<b>49,792</b>
<b>Total Federal Expenditures</b>			<b>\$ 13,921,971</b>	<b>\$ 6,462,974</b>

*The accompanying notes are an integral part of this schedule.*

## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### NOTES TO THE 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 the Organization under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the 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). 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 cost principles 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 where available.

#### **Note 3 – Indirect Cost Rate**

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

**FOOD LIFELINE AND FOOD LIFELINE FOUNDATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

**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>Assistance Listing</u>
Food Distribution Cluster	10.568, 10.569
Coronavirus State and Local Fiscal Recovery Funds	21.027

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

Auditee qualified as low-risk auditee: No

**B. Findings – Financial Statement Audit** None

**C. Findings and Questioned Costs – Major Federal Award Programs Audit** None



## FOOD LIFELINE AND FOOD LIFELINE FOUNDATION

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

#### **Finding 2022-001 – Revenue Recognition and Net Assets**

*Criteria and Condition:* In accordance with generally accepted accounting principles, revenue from conditional grants and contributions should not be recognized until the related conditions have been substantially met. Additionally, grants and contributions containing donor-specified restrictions should be recognized as net assets with donor restrictions until those restrictions have been released. During the year ended June 30, 2022, the Organization had improperly recognized revenue from conditional grants for which the conditions had not been met and had not recognized donor-imposed restrictions contributions intended to be used in future periods.

*Status:* Corrected

#### **Finding 2022-002 – Eligibility**

*Criteria and Condition:* In accordance with the terms and conditions of the Organization's federal awards and the Uniform Guidance, the Organization is required to complete an annual risk assessment spreadsheet for all subrecipients and subcontractors and to have internal controls in place to review these eligibility determinations for completeness and accuracy. During the year ended June 30, 2022, the Organization had not documented the internal controls surrounding these eligibility procedures.

*Status:* Corrected

#### **Finding 2022-003 – Procurement and Suspension and Debarment**

*Criteria and Condition:* The Uniform Guidance requires organizations to perform certain procurement procedures for small purchases and simplified acquisitions. Additionally, organizations must verify that vendors, contractors, and subrecipients with covered transactions are not suspended or debarred. During the year ended June 30, 2022, the Organization did not have adequate documentation of its procurement and suspension and debarment procedures and controls.

*Status:* Corrected