



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
Years Ended June 30, 2021 and 2020

**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
Years Ended June 30, 2021 and 2020

Food Lifeline and Food Lifeline Foundation

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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, 2021 and 2020, 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2021 and 2020, 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 of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 within one year after the date that the combined financial statements are issued or available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 GAAS 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 combined financial statements.

In performing an audit in accordance with GAAS 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 combined 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 combined 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 combined 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.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position and the Combining Schedule of Activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements.

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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. Such 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 of America. 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 November 22, 2021 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 solely 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 effectiveness of the Organization's 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.

BDO USA, LLP

November 22, 2021

Combined Financial Statements

Food Lifeline and Food Lifeline Foundation

Combined Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 26,380,134	\$ 16,742,965
Investments	3,249,210	1,766,209
Grants receivable	649,219	6,929,748
Contributions receivable, current portion	-	118,961
Other receivables	22,069	134,824
Prepaid expenses	354,581	251,561
Inventory	9,597,190	4,610,014
Total Current Assets	40,252,403	30,554,282
Restricted cash	81,361	130,611
Contributions receivable - Hunger Solution Center, net	481,841	763,622
Note receivable	5,182,925	5,182,925
Property and equipment, net	26,381,873	27,355,817
Total Assets	\$ 72,380,403	\$ 63,987,257
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,051,429	\$ 2,521,339
Accrued payroll expenses	710,918	670,504
Current portion of loans payable	410,382	397,554
Total Current Liabilities	2,172,729	3,589,397
Long-Term Liabilities		
Loans payable, net of loan fees and current portion	11,648,644	12,052,846
Notes payable, net of loan fees	7,386,358	7,376,617
Paycheck Protection Program loan	-	1,189,305
Lease deposit	49,794	49,794
Total Long-Term Liabilities	19,084,796	20,668,562
Total Liabilities	21,257,525	24,257,959
Net Assets		
Without donor restrictions	51,122,878	39,700,115
With donor restrictions	-	29,183
Total Net Assets	51,122,878	39,729,298
Total Liabilities and Net Assets	\$ 72,380,403	\$ 63,987,257

See accompanying notes to combined financial statements.

Food Lifeline and Food Lifeline Foundation

Combined Statements of Activities

Year Ended June 30,	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions						
Foundations and corporations	\$ 10,302,928	\$ -	\$ 10,302,928	\$ 8,142,858	\$ 6,379	\$ 8,149,237
Individuals	12,782,651	-	12,782,651	13,006,901	-	13,006,901
In-kind donations	2,559,182	-	2,559,182	604,974	-	604,974
Grants from government agencies	13,007,072	-	13,007,072	11,021,264	-	11,021,264
Community events	1,822,172	-	1,822,172	1,216,745	-	1,216,745
Program revenue	242,850	-	242,850	1,477,908	-	1,477,908
Rental income	823,378	-	823,378	783,205	-	783,205
Investment income, net of fees	444,278	-	444,278	44,330	-	44,330
Interest income - note receivable	74,681	-	74,681	62,234	-	62,234
Gain(Loss) on disposal of property and equipment	-	-	-	(22,479)	-	(22,479)
Paycheck Protection Program loan forgiveness	1,189,305	-	1,189,305	-	-	-
Net assets released from restrictions	29,183	(29,183)	-	25,000	(25,000)	-
Total Revenue, excluding in-kind food	43,277,680	(29,183)	43,248,497	36,362,940	(18,621)	36,344,319
Expenses						
Program services	10,804,292	-	10,804,292	7,295,583	-	7,295,583
Management and general	2,303,760	-	2,303,760	2,238,788	-	2,238,788
Fundraising	2,424,459	-	2,424,459	2,451,893	-	2,451,893
Total Expenses, excluding food procurement, processing, and distribution	15,532,511	-	15,532,511	11,986,264	-	11,986,264
Change in net assets before food revenue and expense	27,745,169	(29,183)	27,715,986	24,376,676	(18,621)	24,358,055
Food Revenue and Expense						
In-kind food contributions revenue	111,803,121	-	111,803,121	113,459,631	-	113,459,631
Food procurement, processing, and distribution	(128,125,527)	-	(128,125,527)	(122,470,255)	-	(122,470,255)
Net Food Expense	(16,322,406)	-	(16,322,406)	(9,010,624)	-	(9,010,624)
Change in Net Assets	11,422,763	(29,183)	11,393,580	15,366,052	(18,621)	15,347,431
Net Assets, beginning of year	39,700,115	29,183	39,729,298	24,334,063	47,804	24,381,867
Net Assets, end of year	\$ 51,122,878	\$ -	\$ 51,122,878	\$ 39,700,115	\$ 29,183	\$ 39,729,298

See accompanying notes to combined financial statements.

Food Lifeline and Food Lifeline Foundation

Combined Statements of Functional Expenses

Year Ended June 30,	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$4,229,910	\$1,073,261	\$1,010,128	\$ 6,313,299	\$ 3,729,225	\$ 946,221	\$ 890,561	\$ 5,566,007
Payroll taxes and employee benefits	979,534	229,621	231,522	1,440,677	911,215	202,709	212,956	1,326,880
Total Salaries and Related Expenses	5,209,444	1,302,882	1,241,650	7,753,976	4,640,440	1,148,930	1,103,517	6,892,887
Grants pass through	2,213,227	-	-	2,213,227	-	-	-	-
Depreciation	840,401	183,838	196,969	1,221,208	847,647	166,750	194,542	1,208,939
Professional fees	348,033	164,608	440,847	953,488	156,697	199,253	523,677	879,627
Occupancy	480,793	264,865	10,019	755,677	408,823	185,988	11,170	605,981
Temporary labor	437,183	100,068	5,861	543,112	184,480	64,383	135,486	384,349
Interest	447,854	40,038	42,898	530,790	460,022	39,318	45,871	545,211
Supplies and postage	265,967	67,255	54,065	387,287	187,816	86,103	98,894	372,813
Advertising and printing	457	11,099	168,439	179,995	21,561	7,479	125,444	154,484
Insurance	105,541	9,435	10,109	125,085	107,750	9,209	10,744	127,703
Repairs and maintenance	107,227	-	-	107,227	118,124	-	-	118,124
Conferences and travel	32,154	12,870	6,147	51,171	39,963	50,159	9,689	99,811
Telephone	19,633	6,262	4,365	30,260	16,667	5,017	3,167	24,851
TEFAP Agency expense	-	-	-	-	97,104	-	-	97,104
Other	296,378	140,540	243,090	680,008	8,489	276,199	189,692	474,380
Total Expenses, excluding food procurement, processing, and distribution	10,804,292	2,303,760	2,424,459	15,532,511	7,295,583	2,238,788	2,451,893	11,986,264
Food procurement, processing, and distribution	128,125,527	-	-	128,125,527	122,470,255	-	-	122,470,255
Total Expenses	\$ 138,929,819	\$ 2,303,760	\$ 2,424,459	\$143,658,038	\$ 129,765,838	\$ 2,238,788	\$ 2,451,893	\$ 134,456,519

See accompanying notes to combined financial statements.

Food Lifeline and Food Lifeline Foundation

Combined Statements of Cash Flows

Year Ended June 30,	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 11,393,580	\$ 15,347,431
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,221,208	1,208,939
Loss on disposal of property and equipment	-	22,479
Amortization of debt issuance costs	15,921	15,920
Realized and unrealized (gains) losses on investments	(367,591)	14,847
Forgiveness of Paycheck Protection Program Loan	(1,189,305)	-
Changes in operating assets and liabilities		
Grants receivable	6,280,529	(6,562,387)
Contributions receivable	118,961	(71,157)
Food inventory	(4,987,176)	(473,390)
Accounts payable and accrued expenses	(1,469,910)	2,261,961
Accrued payroll expenses	40,414	244,554
Prepaid expenses and other current receivables	9,735	173,014
Net Cash Flows from Operating Activities	11,066,366	12,182,211
Cash Flows for Investing Activities		
Proceeds from sales on investments	1,350,632	815,859
Purchase of investments	(2,466,042)	(1,064,787)
Purchase of property and equipment	(247,264)	(332,435)
Net Cash Flows for Investing Activities	(1,362,674)	(581,363)
Cash Flows (for) from Financing Activities		
Contributions received for purchases of long-term assets	281,781	355,055
Proceeds from Paycheck Protection Program loan	-	1,189,305
Payments on loans payable	(397,554)	(385,127)
Net Cash Flows (for) from Financing Activities	(115,773)	1,159,233
Net Change in Cash and Cash Equivalents	9,587,919	12,760,081
Cash and Cash Equivalents, beginning of year	16,873,576	4,113,495
Cash and Cash Equivalents, end of year	\$ 26,461,495	\$ 16,873,576
Supplemental Information		
Cash paid for interest	\$ 514,869	\$ 590,061

See accompanying notes to combined financial statements.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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 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 food distributed in pounds by Food Lifeline in fiscal years 2021 and 2020 was procured as follows:

	2021	2020
Donated by local food industry	54%	68%
Donated by national food industry (through Feeding America)	1	-
Donated by the U.S. Department of Agriculture	22	19
Purchased	23	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 consisted of the following:

	2021	2020
City and county governmental agencies	\$ 1,163,996	\$ 1,545,464
Federal and state governmental programs		
TEFAP - The Emergency Food Assistance Program	1,940,706	804,565
EFAP - Emergency Food Assistance Program	258,465	294,204
TMP - The Trade Mitigation Program	306,388	473,968
CFAP - COVID Food Assistance Program	9,337,517	7,903,063
	\$ 13,007,072	\$ 11,021,264

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, 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 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 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:

	2021		2020	
To be used in future years	\$	-	\$	22,804
Food health program		-		6,379
	\$	-	\$	29,183

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.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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 combined statements of cash flows consist of the following line items from the combined balance sheets at June 30:

	2021	2020
Cash and cash equivalents	\$ 26,380,134	\$ 16,742,965
Restricted cash	81,361	130,611
	\$ 26,461,495	\$ 16,873,576

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:

	2021	2020
Fixed-Income Mutual Funds		
Intermediate-term bond funds	\$ 472,110	\$ 174,554
High-yield bond funds	275,768	105,491
Global bond funds	841,000	496,876
Equity Mutual Funds		
Equity income funds	882,173	581,938
Global equity funds	541,669	243,881
Real estate investment trusts	103,024	75,874
Corporate Bonds	112,606	52,717
Publicly Traded Common Stocks	20,860	34,878
	\$ 3,249,210	\$ 1,766,209

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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:

	2021	2020
Interest and dividends	\$ 93,276	\$ 73,788
Realized and unrealized gains (loss)	367,591	(14,847)
Investment fees	(16,589)	(14,611)
	\$ 444,278	\$ 44,330

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.

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:

	2021	2020
Amounts Due in		
Less than one year	\$ 292,748	\$ 376,826
One to five years	212,500	428,494
Total Gross Contributions Receivable	505,248	805,320
Less: Unamortized discount (2% - 4%)	(23,407)	(41,698)
	\$ 481,841	\$ 763,622

All contributions receivable related to the capital campaign are presented as non-current on the statements of financial position because the contributions are restricted for long-term purposes. Of the total contributions receivable related to the Hunger Solution Center at June 30, 2021 and 2020, 84% were due from three and four entities, respectively.

Grants Revenue/Receivable

Grants consist of grants and contracts administered by various federal, state, and local governmental agencies awarded to the Organization and are considered contributions. Revenue is recognized when the grant is received unless the award is conditional and contains a barrier to collecting grant funds. Barriers for grants awarded to the Organization primarily consist of activity

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

barriers, and/or barriers for performance based on output of units. Grants receivable consist of grant awards where the barrier has been met and amounts are billable under the contract. At June 30, 2021 and 2020, there was approximately \$2,810,000 and \$5,923,000 of grants awarded where the barrier had not been met, respectively. The Organization will be able to use these funds before the grant award terms expire.

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, 2021 and 2020, no such adjustments were made. Of total grants receivable at June 30, 2021 and 2020, 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:

	2021	2020
USDA commodities	\$ 1,932,545	\$ 2,383,733
Donated food	5,097,991	1,921,206
Purchased food	2,566,654	305,075
	\$ 9,597,190	\$ 4,610,014

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.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 4,665,164	\$ 4,665,164
Building and improvements	24,027,517	24,020,653
Warehouse refrigeration	1,375,832	1,375,832
Office furniture and equipment	1,367,005	1,349,309
Vehicles	1,501,164	1,289,500
Warehouse equipment	1,001,789	990,749
	33,938,471	33,691,207
Less: Accumulated depreciation	(7,556,598)	(6,335,390)
	\$ 26,381,873	\$ 27,355,817

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 \$5,781 and \$2,346 for the years ended June 30, 2021 and 2020, respectively.

Additionally, the Organization received donated auction items, decorations, and supplies for special events that were valued at \$0 and \$13,646 for the years ended June 30, 2021 and 2020, 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 \$111,803,121 and \$113,459,631 for the years ended June 30, 2021 and 2020, 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.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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:

Expense	Method
Salaries	Estimates of time and effort
Payroll taxes and employee benefits	Estimates of time and effort
Occupancy - utilities	Square foot
Professional fees	Estimates of time and effort
Depreciation	Square foot
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, 2020, the Organization adopted the provisions of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the organization satisfies a performance obligation

As a result of adopting the ASU, there was no material change to the Organization's combined financial statements as the Organization has no material revenue streams as a result of contracts with customers.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The new standard in this update requires that any entity that is a lessee record, for all leases with a term exceeding 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. The update is effective for the Organization for the year ending June 30, 2022, with early adoption permitted. The Organization is currently reviewing the provisions of this update to determine if there will be any material effect on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the date these combined financial statements were available to be issued, which was November 22, 2021.

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, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 26,461,495	\$ 16,873,576
Investments	3,249,210	1,766,209
Grants receivable	649,219	6,929,748
Contributions receivable	481,841	882,583
Other receivables	22,069	134,824
Note receivable	5,182,925	5,182,925
Total Financial Assets	36,046,759	31,769,865
Less: Restricted cash	(81,361)	(130,611)
Less: Long-term contributions receivable	(481,841)	(763,622)
Less: Long-term note receivable	(5,182,925)	(5,182,925)
Financial assets available to meet general expenditures within one year	\$ 30,300,632	\$ 25,692,707

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

3. Novel Coronavirus

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Through June 30, 2020, the COVID-19 outbreak had a material impact on the Organization's operations. The Organization received increased funding from government agencies, primarily the CFAP program as detailed above.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans (PPP Loan) that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In May 2020, the Organization received a PPP Loan in the amount of \$1,189,305, which was forgiven on March 9, 2021. See Note 5 for further details.

On December 27, 2020, President Trump signed into law the "Consolidated Appropriations Act, 2021," which included additional economic stimulus and COVID 19 related relief including additional PPP funds and expansion of the Employee Retention Credit.

On March 11, 2021, President Biden signed into law the "American Rescue Plan Act of 2021" (the American Rescue Plan), which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit.

Currently, management does not expect these laws to have a significant impact on the Organization.

4. Note Receivable

As part of the New Markets Tax Credit transaction (see Note 6), 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, 2021 and 2020, respectively, 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 5). 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

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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:

2022	\$	-
2023		-
2024		84,054
2025		205,272
2026		208,249
Thereafter		4,685,350
		\$ 5,182,925

5. Debt

Notes 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:

	2021	2020
CCG Sub-CDE Loan A	\$ 1,003,147	\$ 1,003,147
CCG Sub-CDE Loan B	496,853	496,853
USBCDE Loan A	4,179,778	4,179,778
USBCDE Loan B	1,945,222	1,945,222
	7,625,000	7,625,000
Less: Unamortized loan fees	(238,642)	(248,383)
	\$ 7,386,358	\$ 7,376,617

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.

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

Interest has not been imputed on any of the above loans payable that carry below-market interest rates, 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 notes are as follows for the years ending June 30:

2022		\$	-
2023			308,081
2024			291,451
2025			294,379
2026			298,826
Thereafter			6,432,263
		\$	7,625,000

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.

Loans Payable

The Washington State House Finance Commission issued special nonprofit revenue bonds to fund a loan made to the Organization through U.S. Bank. The Organization entered into two loan agreements (Series A and Series B) that require the Organization to make payments in amounts that are sufficient to pay principal and interest on the bonds. Series A has been paid in full in 2020.

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 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, 2021.

The loan payable is summarized as follows at June 30:

	2021	2020
Series B Loan	\$ 12,189,834	\$ 12,587,388
Less: Unamortized loan fees	(130,808)	(136,988)
	12,059,026	12,450,400
Less: Current portion	410,382	397,554
	\$ 11,648,644	\$ 12,052,846

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

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

2022	\$	410,382
2023		423,624
2024		437,293
2025		451,404
2026		465,969
Thereafter		10,001,162
	\$	12,189,834

Paycheck Protection Program Loan

In May 2020, the Organization received a loan through the Small Business Administration's Paycheck Protection Program (PPP Loan) in the amount of \$1,189,305. The loan and interest were forgiven in full on March 9, 2021, and was used for expenditures relating to payroll, rent, and utilities, twenty-four weeks from the when the loan was funded.

6. 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.

7. 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

Food Lifeline and Food Lifeline Foundation

Notes to Combined Financial Statements

2018. Since all contribution revenue was recognized in prior years, there is no change in recognition of these grants from the adoption of Topic 958 during the year ended June 30, 2020.

8. Pension Plan

The Organization participates in a defined contribution tax sheltered annuity plan (the Plan) covering substantially all employees with one year of service and who have attained 21 years of age. The Organization matches 50% of participants' contributions to the Plan up to 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, 2021 and 2020, was \$111,892 and \$79,718, respectively. This amount is included in payroll taxes and employee benefits expense on the combined statements of functional expenses.

Supplemental Schedules

Food Lifeline and Food Lifeline Foundation

Combining Schedule of Financial Position

<i>June 30, 2021</i>	Food Lifeline	Food Lifeline Foundation	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,563,678	\$ 22,816,456	\$ 26,380,134
Investments	3,249,210	-	3,249,210
Grants receivable	649,219	-	649,219
Other receivables	22,069	-	22,069
Prepaid expenses	354,581	-	354,581
Inventory	9,597,190	-	9,597,190
Total Current Assets	17,435,947	22,816,456	40,252,403
Restricted cash	81,361	-	81,361
Contributions receivable			
Hunger Solution Center, net	481,841	-	481,841
Note receivable	-	5,182,925	5,182,925
Property and equipment, net	26,381,873	-	26,381,873
Total Assets	\$ 44,381,022	\$ 27,999,381	\$ 72,380,403
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 1,051,429	\$ -	\$ 1,051,429
Accrued payroll expenses	710,918	-	710,918
Current portion of loans payable	410,382	-	410,382
Total Current Liabilities	2,172,729	-	2,172,729
Long-Term Liabilities			
Loans payable, net of loan fees and current portion	11,648,644	-	11,648,644
Notes payable, net of loan fees	7,386,358	-	7,386,358
Lease deposit	49,794	-	49,794
Total Long-Term Liabilities	19,084,796	-	19,084,796
Total Liabilities	21,257,525	-	21,257,525
Net Assets	23,123,497	27,999,381	51,122,878
Total Liabilities and Net Assets	\$ 44,381,022	\$ 27,999,381	\$ 72,380,403

**Food Lifeline and
Food Lifeline Foundation**
Combining Schedule of Activities

<i>Year Ended June 30, 2021</i>	Food Lifeline	Food Lifeline Foundation	Total
Revenue			
Contributions			
Foundations and corporations	\$ 10,302,928	\$ -	\$ 10,302,928
Individuals	12,782,651	-	12,782,651
In-kind donations	2,559,182	-	2,559,182
Grants from government agencies	13,007,072	-	13,007,072
Community events	1,822,172	-	1,822,172
Program revenue	242,850	-	242,850
Investment income, net of fees	444,278	-	444,278
Interest income - note receivable	-	74,681	74,681
Rental income	823,378	-	823,378
Gain(Loss) on disposal of property and equipment	1,189,305	-	1,189,305
Intercompany	(20,819,000)	20,819,000	-
Total Revenue, excluding in-kind food	22,354,816	20,893,681	43,248,497
Expenses			
Program services	10,804,292	-	10,804,292
Management and general	2,303,760	-	2,303,760
Fundraising	2,424,459	-	2,424,459
Total Expenses, excluding food procurement, processing, and distribution	15,532,511	-	15,532,511
Change in net assets before food revenue and expense	6,822,305	20,893,681	27,715,986
Food Revenue and Expense			
In-kind food contributions revenue	111,803,121	-	111,803,121
Food procurement, processing, and distribution	(128,125,527)	-	(128,125,527)
Net Food Expense	(16,322,406)	-	(16,322,406)
Change in Net Assets	(9,500,101)	20,893,681	11,393,580
Net Assets, beginning of year	32,623,598	7,105,700	39,729,298
Net Assets, end of year	\$ 23,123,497	\$ 27,999,381	\$ 51,122,878

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



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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, 2021, 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 November 22, 2021.

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 or significant deficiencies may exist that have not been identified.



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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 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.

BDO USA, LLP

November 22, 2021



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Independent Auditor's Report on Compliance for Each Major Program And Report 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

Opinion on Compliance for Each Major Federal Program

We have audited Food Lifeline and Food Lifeline Foundation (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, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion

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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with the types of compliance requirements referred to above.

Responsibilities 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 Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of 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 types of 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 federal program as a whole.

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 types of 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



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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 have not been 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.

BDO USA, LLP

November 22, 2021

**Food Lifeline and
Food Lifeline Foundation**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Award Number	Federal CFDA Number	Federal Expenditures
Department of Agriculture			
<i>Food Distribution Cluster</i>			
Passed through the State of Washington			
The Emergency Food Assistance Program (TEFAP)			
Administrative Funds	K2172	10.568	\$ 1,940,706
Food commodities	K2172	10.569	15,206,527
<i>Total Food Distribution Cluster</i>			17,147,233
Passed through the State of Washington			
The Trade Mitigation Program Eligible Recipient			
Agency Operational Funds (TMP)			
Food Commodities	K2172	10.178	7,067,450
Administrative Funds	K2172	10.178	306,388
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds (TMP) Program			7,373,838
Total Department of Agriculture			24,521,071
Total Federal Expenditures			\$ 24,521,071

The accompanying notes are an integral part of this schedule.

Food Lifeline and Food Lifeline Foundation

Notes to Schedule of Expenditures of Federal Awards

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, 2021. 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.

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.

3. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. At June 30, 2021, the Organization had food commodities in inventory relating the following programs:

TEFAP	\$	1,919,935
TMP		12,610
	\$	1,932,545

Food Lifeline and Food Lifeline Foundation

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether
the financial statements audited were prepared
in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards:

Internal control over major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

yes no

Identification of Major Programs:

Program Title

CFDA Number

Trade Mitigation Program Eligible Recipient Agency Operational Funds

10.178

Dollar threshold used to distinguish
between Type A and B programs:

\$750,000

Auditee qualified as low-risk auditee:

yes no

Food Lifeline and Food Lifeline Foundation

Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings

No findings were identified that were required to be reported.

Section III - Major Federal Award Programs Findings and Questioned Costs

No findings were identified that were required to be reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

Finding 2020-001 Schedule of Expenditures of Federal Awards

Food Distribution Cluster - CFDA No. 10.568, 10.569
Program: TEFAP

Name of Contact Person: Samantha Franklin, CFO
Email: SamanthaF@foodlifeline.org 206-432-3601

Condition: Food Lifeline did not have an effective process in place to ensure that all items were properly reflected on the Schedule, specifically related to reporting food commodities under different government programs.

Cause: Food Lifeline mistakenly marked food distributions under the wrong program. During its monthly reconciliations, these errors were caught, and commodity amount adjusted; however, this caused one program to show extra donations and one to show extra expense. Note that total government food commodities were materially correct; the error was in reporting under the different programs.

Effect: The preliminary Schedule of Expenditures of Federal Awards received for audit was incorrectly stated and an adjustment to reduce the amount of food commodities reported under the TEFAP program was necessary.

Corrective action plan update by the Organization:

The full action plan was implemented and the effects caused by the prior year finding were eliminated for the year ending June 30, 2021.