

BREMERTON FOODLINE

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2022

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bremerton Foodline
Bremerton, Washington

Opinion

We have audited the accompanying financial statements of Bremerton Foodline (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bremerton Foodline as of December 31, 2022, and the changes in 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. 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 Bremerton Foodline 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 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.

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 Bremerton Foodline's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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, including omissions, 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, 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 Bremerton Foodline'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 Bremerton Foodline'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.

Report on Summarized Comparative Information

We have previously audited Bremerton Foodline's 2021 financial statements, the previous auditor expressed an unmodified audit opinion on those audited financial statements in the report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Clarke Whitney CPA Group, LLC.
Bremerton, Washington
January 29, 2024

BREMERTON FOODLINE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,053,967	\$ 949,697
Accounts receivable	-	463
Inventory	95,835	109,113
Prepaid expenses	5,297	6,983
Prepaid gift cards	<u>22,338</u>	<u>14,088</u>
Total current assets	1,177,437	1,080,344
Property, plant and equipment, net of depreciation	<u>369,308</u>	<u>397,094</u>
Total assets	<u>\$ 1,546,745</u>	<u>\$ 1,477,438</u>
Liabilities and net assets		
Current liabilities		
Accrued liabilities	<u>\$ 10,905</u>	<u>\$ 5,602</u>
Total current liabilities	10,905	5,602
Net assets		
Without donor restriction	<u>1,535,840</u>	<u>1,471,836</u>
Total net assets	<u>1,535,840</u>	<u>1,471,836</u>
Total liabilities and net assets	<u>\$ 1,546,745</u>	<u>\$ 1,477,438</u>

The accompanying notes are an integral part of these financial statements

BREMERTON FOODLINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
Support and revenue		
Support		
Contributions - in-kind	\$ 826,001	\$ 834,822
Contributions	250,957	306,326
United Way	629	2,306
Grants	110,371	100,287
Fundraising	34,288	37,746
Total support	1,222,246	1,281,487
Revenue		
Reimbursement income	22,218	38,966
Interest income	<u>1,232</u>	<u>712</u>
	1,245,696	1,321,165
Net assets released from restrictions	<u>-</u>	<u>-</u>
Total revenue and support	1,245,696	1,321,165
Expenses		
Program services	1,084,920	1,035,409
Management	86,261	66,467
Fundraising	<u>10,511</u>	<u>5,362</u>
Total expenses	<u>1,181,692</u>	<u>1,107,238</u>
Change in net assets	64,004	213,927
Net assets, beginning of year	<u>1,471,836</u>	<u>1,257,909</u>
Net assets, end of year	<u>\$ 1,535,840</u>	<u>\$ 1,471,836</u>

The accompanying notes are an integral part of these financial statements

BREMERTON FOODLINE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management	Fundraising	2022 Total	2021 Total
Salaries	\$ 116,904	\$ 58,452	\$ 7,306	\$ 182,662	\$ 136,516
Payroll taxes	11,300	5,650	706	17,656	12,272
Total salaries and related expenses	<u>128,204</u>	<u>64,102</u>	<u>8,012</u>	<u>200,318</u>	<u>148,788</u>
Food distributions - in kind:					
Food	<u>826,001</u>	-	-	<u>826,001</u>	<u>834,823</u>
Total food distribution - in-kind	826,001	-	-	826,001	834,823
Bank fees	-	1,313	-	1,313	3,759
Food purchases	35,520	-	-	35,520	20,551
Fundraising	-	-	2,499	2,499	332
Insurance	10,373	1,689	-	12,062	11,802
Licenses and fees	1,676	419	-	2,095	316
Maintenance and repairs	3,805	200	-	4,005	10,350
Miscellaneous	42	7	-	49	65
Printing and postage	3,670	660	-	4,330	523
Professional services	10,368	4,443	-	14,811	11,200
Supplies	11,596	6,244	-	17,840	5,618
Telephone and communication	3,271	323	-	3,594	1,030
Utilities	18,468	1,826	-	20,294	21,993
Vehicles	<u>5,491</u>	<u>-</u>	<u>-</u>	<u>5,491</u>	<u>3,432</u>
Total expenses before depreciation	1,058,485	81,226	10,511	1,150,222	1,074,582
Depreciation	<u>26,435</u>	<u>5,035</u>	<u>-</u>	<u>31,470</u>	<u>32,656</u>
Total expenses	<u>\$ 1,084,920</u>	<u>\$ 86,261</u>	<u>\$ 10,511</u>	<u>\$ 1,181,692</u>	<u>\$ 1,107,238</u>

The accompanying notes are an integral part of these financial statements

**BREMERTON FOODLINE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from Operating Activities		
Change in unrestricted net assets	\$ 64,004	\$ 213,927
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	31,470	32,656
(Increase) decrease in:		
Accounts receivable	463	(157)
Inventory	13,278	(31,645)
Prepaid expenses	(8,250)	-
Prepaid gift cards	1,686	14,415
Increase (decrease) in:		
Accounts payable	-	(2,644)
Accrued liabilities	5,303	319
Net cash provided by operating activities	<u>107,954</u>	<u>226,871</u>
Cash flows from Investing Activities		
Payments for purchase of property and equipment	<u>(3,684)</u>	<u>(1,845)</u>
Net cash used by investing activities	(3,684)	(1,845)
Cash flows from Financing Activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	104,270	225,026
Cash and cash equivalents, beginning of year	<u>949,697</u>	<u>724,671</u>
Cash and cash equivalents, end of year	<u>\$ 1,053,967</u>	<u>\$ 949,697</u>
Supplemental data:		
Cash paid for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – NATURE OF THE ORGANIZATION

Nature of Organization

The Bremerton Foodline (the Organization) was organized on July 21, 1980 to provide food assistance to families and individuals in the Bremerton, Washington area. The Organization receives individual contributions, grants, in kind food contributions, and other funds from other miscellaneous sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Organization is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Organization.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, support and expenses. Actual results may vary from the estimates that were used.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consists of money held at various financial institutions in checking and savings accounts. Due to the highly liquid nature of these accounts, the carrying value approximates fair market value.

Credit Risk

The Organization has cash in financial institutions that are insured by the Federal Deposit Insurance Corporation(FDIC) up to \$250,000. At various times throughout the year, the Organization may have cash balances at these financial institutions that may exceed the insured amount. Management uses banks with only strong credit ratings and does not believe the concentration of cash results in a high level of risk for the Organization.

The Organization had cash in excess of the available federal deposit insurance in the amount of \$516,365 as of December 31, 2022, which has a limit of \$250,000.

Accounts Receivable

Accounts receivable consist primarily of cost reimbursement grants receivable. Each receivable is individually reviewed for collectability. Historically, bad debts have been immaterial or nonexistent so no allowance for doubtful accounts has been recorded. For the year ended December 31, 2022 bad debts were \$0.

Inventory

The organization receives substantial donation of food which is recognized in the financial statements as in-kind contributions. Additionally, donated inventory consisting of food are valued in the financial statements at their estimated value which is valued based on an estimate of the number of pounds and an estimated price per pound.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements 39 years
Furniture and equipment 5 to 7 years

The Organization's capitalization policy is to capitalize equipment purchases exceeding \$1,000.

BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as with donor restrictions or without donor restrictions as provided in the particular terms of the respective grant contracts. However, if the restrictions on grant funds are met in the same year the funds are awarded, it is the Organization's policy to report the grant as without donor restrictions on the statement of activities and changes in net assets.

Contributions

The Organization recognizes contributions of cash and non-cash assets in accordance with FASB Codification 958.605.15, "Accounting for Contributions Received and Contributions Made." Contributions of cash and non-cash assets are recognized in the year they are received and are classified as net assets with donor restriction or without donor restriction depending on the existence, nature and fulfillment of any donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions are fulfilled or expire in the fiscal year in which such contributions are recognized. Other restricted contributions are reported as increases in net assets with donor restriction and are reclassified to net assets without donor restriction upon fulfillment or expiration of the donor restriction in a later fiscal year.

Functional Allocation of Expenses

Expenses are allocated to program and support services by specific identification or pro rata shares as reasonably determinable under the circumstances. Allocations of expenses are intended to comply with grant requirements.

Income Tax

Bremerton Foodline is a not-for-profit Washington corporation. It is exempt from federal income tax, except on net income derived from unrelated business activities, under Section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation.

The Organization's federal Exempt Organization Business Income Tax Returns (Forms 990) is subject to examination by the IRS, generally for three years after they were filed. The returns that are still subject to examination include 2020, 2021, and 2022.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current financial statement presentation.

**BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Organization has amended their policy concerning annual (vacation) leave. Employees are entitled to paid vacation depending on job classification, length of service, and other factors. Employees accrue 8 days of annual paid leave after first year of employment, full vacation schedule is laid out in the employee handbook – PTO section. Employees may carry a balance equivalent of two working weeks to the subsequent year, when an employee resigns, s/he will be paid PTO hours accumulated to that point. For the year ended December 31, 2022 accrued vacation totaled \$4,854.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had no material impact on the Organization’s statement of financial position and did not have a material impact on the statement of activities as there were no eligible lease agreements.

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT, NET

The Organization incurred \$31,470 of depreciation expense for the year ended December 31, 2022. At December 31, 2022, property and equipment consisted of the following:

	<u>2022</u>
Non-depreciable assets	
Land	\$ 119,000
Depreciable assets	
Buildings and improvements	505,576
Machinery and equipment	154,014
Furniture and fixtures	22,417
Vehicles	<u>60,348</u>
Total property and equipment - less land	861,355
Less accumulated depreciation	<u>(492,047)</u>
Total property and equipment, net - including land	<u><u>\$ 369,308</u></u>

**BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 – CONCENTRATION OF REVENUE SOURCES

Approximately 96% of the Organization’s revenue is derived from grants from the Federal, State, County and City governments. The current level of the Organization’s operations and program services may be impacted or segments discontinued if the funding is not renewed.

NOTE 5 – IN-KIND ESTIMATES

The Organization includes in-kind estimates of revenues and expenses food products in their financial statements.

For year ended 2022, donated food was valued at \$1.92 per pound. In-kind estimates are as follows:

	<u>In-Kind Revenue</u>	<u>2022 Inventory Adjustment</u>	<u>In-Kind Expense</u>
Food			
Products	<u>839,279</u>	<u>(13,278)</u>	<u>826,001</u>
	<u>\$ 839,279</u>	<u>\$ (13,278)</u>	<u>\$ 826,001</u>

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization as of December 31, 2022 has \$1,081,602 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$1,053,967 in cash, \$0 of receivables, \$22,338 in prepaid gift cards and \$5,297 prepaid expenses.

NOTE 7 – SUBSEQUENT EVENTS

There were no subsequent events detected as of January 15, 2024, which is the date the financial statements were available to be issued.

BREMERTON FOODLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 – STATEMENT OF FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following table shows the expenses that are allocated, and the bases used to allocate them:

<u>Expenses</u>	<u>Base</u>
Salaries and related expenses	Percentage allocation to program and supporting service
Food distribution	Direct charge to program and supporting service
Food purchases	Direct charge to program and supporting service
Utilities	Percentage allocation to program and supporting service
Maintenance and repairs	Percentage allocation to program and supporting service
Insurance	Percentage allocation to program and supporting service
Professional expenses	Percentage allocation to program and supporting service
Other expenses	Direct charge and percentage allocation to program and supportive services

For the year ended December 31, 2022, supporting services amounted to 8 percent of total program expenditures.

NOTE 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The ASU introduces a comprehensive, principles-based framework for recognizing revenue. ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, defers the original effective date of ASU 2014-09 by one year. For nonpublic entities, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed for nonpublic entities, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Organization is in compliance with this ASU and has no changes to how revenues are recorded.