LINDLEY & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

1603 116th Ave NE, Suite 100
Bellevue, WA 98004-9003
Phone: 425-455-4800
www.LindleyCPAs.com

MAKING A DIFFERENCE FOUNDATION

FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

MAKING A DIFFERENCE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Making a Difference Foundation
Board of Directors
Tacoma WA

Opinion

We have audited the accompanying financial statements of Making a Difference Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Making a Difference Foundation as of December 31, 2022 and 2021, 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 audits 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 Making a Difference Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Making a Difference Foundation'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 Making a Difference Foundation'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 Making a Difference Foundation'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

Other Information

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* (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 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 September 29, 2023, on our consideration Making a Difference Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Making a Difference Foundation's internal control over financial reporting and compliance.

Lindley & Associates LLC

Lindley & Associates LLC
September 23, 2023

MAKING A DIFFERENCE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,621,756	$ 1,665,111
Investments	51,275	95,457
Accounts receivable	461,286	144,445
Inventory	920,456	780,388
Prepaid expenses	30,434	26,421
Total current assets	3,085,207	2,711,822
Property & equipment	4,096,028	4,067,980
Accumulated depreciation	(1,417,825)	(1,174,264)
Total property & equipment	2,678,203	2,893,716
Long-term assets		
Deposits	1,200	1,200
Mortgage escrow accounts	4,692	41,843
Total long-term assets	5,892	43,043
Total assets	$ 5,769,302	$ 5,648,581
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 63,048	$ 147,288
Accrued payroll expense	83,253	45,769
Tenant deposits	67,017	71,279
Current portion of capital lease obligation	81,893	74,894
Total current liabilities	295,211	339,230
Long-term liabilities		
Small Business Administration loan	500,000	500,000
Mortgages payable	1,966,104	2,049,669
Total long-term liabilities	2,466,104	2,549,669
Total liabilities	2,761,315	2,888,899
Net assets		
Without donor restrictions	3,007,987	2,759,682
With donor restrictions	-	
Total net assets	3,007,987	2,759,682
Total liabilities and net assets	$ 5,769,302	$ 5,648,581

See accompanying notes to the financial statements.

MAKING A DIFFERENCE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	$ 523,862	$ -	$ 523,862
Rental income	650,182	-	650,182
Federal financial assistance	762,605	-	762,605
Federal nonfinancial assistance	1,952,474	-	1,952,474
Grants	753,000	-	753,000
Nonfinancial assistance - food	6,831,927	-	6,831,927
Nonfinancial assistance - facilities	12,782	-	12,782
Investment interest	1,406	-	1,406
Miscellaneous	30,717	-	30,717
Net assets released from restrictions	-	-	-
Total support and revenue	11,518,955	-	11,518,955
Expenses			
Program services	11,023,376	-	11,023,376
Management and general	225,317	-	225,317
Fund raising	21,957	-	21,957
Total expenses	11,270,650	-	11,270,650
Change in net assets	248,305	-	248,305
Net assets - beginning of year	2,759,682	-	2,759,682
Net assets - end of year	$ 3,007,987	$ -	$ 3,007,987

See accompanying notes to the financial statements.

MAKING A DIFFERENCE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	$ 554,952	$ -	$ 554,952
Rental income	653,531	-	653,531
Federal financial assistance	558,330	-	558,330
Federal nonfinancial assistance	2,197,664	-	2,197,664
Grants	254,326	-	254,326
Nonfinancial assistance - food	5,136,587	-	5,136,587
Nonfinancial assistance - facilities	12,000	-	12,000
Investment interest	1,253	-	1,253
Miscellaneous	358,940	-	358,940
Net assets released from restrictions	-	-	-
Total support and revenue	9,727,583	-	9,727,583
Expenses			
Program services	9,334,679	-	9,334,679
Management and general	156,022	-	156,022
Fund raising	18,602	-	18,602
Total expenses	9,509,303	-	9,509,303
Change in net assets	218,280	-	218,280
Net assets - beginning of year	2,609,793	-	2,609,793
Prior period adjustment	(68,391)		(68,391)
Net assets - end of year	$ 2,759,682	$ -	$ 2,759,682

See accompanying notes to the financial statements.

MAKING A DIFFERENCE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program	Management & General	Fundraising	Total
Salaries and wages	$ 654,923	$ 64,773	$ -	$ 719,696
Payroll taxes	56,935	5,631	-	62,566
Employee benefits	52,658	5,208	-	57,866
Total payroll & related expenses	764,516	75,612	-	840,128
		-		
Occupancy	138,912	13,739	-	152,650
Training materials	3,202	317	-	3,519
Fundraising expense	-	-	21,957	21,957
Food deliveries	56,385	5,576	-	61,961
Property repair & maintenance	356,954	35,303	-	392,257
Equipment rental	10,274	1,016	-	11,290
Depreciation	227,343	22,485	-	249,828
Advertising	6,175	611	-	6,786
Supplies	448,945	44,401	-	493,346
Contract workers	180,686	17,870	-	198,556
Professional fees	57,467	5,684	-	63,151
Insurance	27,349	2,705	-	30,054
In-kind expenses - goods	8,658,464	-	-	8,658,464
in-kind expenses - donated facilities	12,000	-	-	12,000
Miscellaneous	74,703	-	-	74,703
Total expenses	$ 11,023,376	$ 225,317	$ 21,957	$ 11,270,650

See accompanying notes to the financial statements.

MAKING A DIFFERENCE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program	Management & General	Fundraising	Total
Salaries and wages	$ 370,730	$ 36,666	$ -	$ 407,396
Payroll taxes	30,125	2,979	-	33,104
Employee benefits	18,939	1,873	-	20,812
Total payroll & related expenses	419,794	41,518	-	461,312
		-		
Occupancy	111,344	11,012	-	122,356
Training materials	455	45	-	500
Fundraising expense	-	-	18,602	18,602
Food deliveries	46,550	4,604	-	51,154
Property repair & maintenance	211,639	20,931	-	232,570
Equipment rental	4,130	409	-	4,539
Depreciation	219,235	21,683	-	240,918
Advertising	3,632	359	-	3,991
Supplies	111,892	11,066	-	122,958
Contract workers	331,032	32,739		363,771
Professional fees	61,628	6,095		67,723
Insurance	56,229	5,561		61,790
In-kind expenses - goods	7,665,030	-	-	7,665,033
in-kind expenses - donated facilities	12,000	-	-	12,000
Miscellaneous	80,089	-	-	80,089
Total expenses	$ 9,334,679	$ 156,022	$ 18,602	$ 9,509,303

See accompanying notes to the financial statements.

MAKING A DIFFERENCE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 248,305	$ 218,280
Prior period adjustment	-	(68,391)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	243,561	240,915
Change in operating assets and liabilities:		
Accounts receivable	(316,841)	(130,308)
Inventory	(140,068)	291,079
Prepaid expenses	(4,013)	-
Deposits	-	-
Accounts payable	(84,240)	27,181
Accrued payroll expense	37,484	12,727
Tenant deposits	(4,262)	14,797
Net cash from operating activities	(20,074)	606,280
Cash flows from investing activities		
Purchase of fixed assets	(28,048)	(582,061)
Sale of fixed assets	-	92,950
Change in mortgage escrow accounts	37,151	(12,424)
(Purchase) sale of investments	44,182	(46,357)
Net cash from investing activities	53,285	(547,892)
Cash flows from financing activities		
Principal payments on mortgages	(76,566)	(74,338)
Proceeds from SBA loan	-	500,000
Net cash from financing activities	(76,566)	425,662
Net change in cash and cash equivalents	(43,355)	484,050
Cash and cash equivalents at beginning of period	1,665,111	1,181,061
Cash and cash equivalents at end of period	$ 1,621,756	$ 1,665,111

See accompanying notes to the financial statements.

Note 1. Description of Organization

Making a Difference Foundation ("MADF"") is a nonprofit, charitable organization with the mission to make a difference in the lives of others, one person at a time, by helping them acquire the most basic needs: food, housing, encouragement, and opportunity. It was established in 2003 and is located in Tacoma WA. It is the largest food bank in Pierce County.

The Organization provides the following program services:

Eloise's Cooking Pot (ECP) Food Bank: Quality food is provided to the communities of East and South Tacoma, Washington.

Home delivery food service: Delivery is designed to serve the most at-risk constituency in its target community, and all individuals served by ECP's delivery program are unable to travel to the food bank because of either financial or physical hardship or disability.

Homes for Veterans program: A Washington and Texas based program providing safe, secure and stable housing for high-need homeless and disabled veterans and their families by financing and carrying the underlying loans

ECP Garden: The community garden was developed in collaboration with Tahoma Urban Agriculture Guild to provide a stable, internal source of fresh food and herbs for our clients. The garden is managed by volunteers

Blair's Sanctuary Garden and Nurturer Program: This serves as a place for women veterans to grow in serenity, acceptance, peace, and empowerment – without judgment – while raising organic and healthy food for people in need.

Children's Snack and Literacy Program: This provides families with nutritious culturally sensitive food during difficult times, children also select three to six new books each quarter as a part of the Literacy Program.

Transitions Backpack Program: This program serves homeless youth and adults living on the streets by providing them with backpacks loaded with nonperishable food, beverages, a can opener and hygiene items. Each backpack pack provides 25 lbs. of food and non-food product with nine meals per pack.

The Joy Box Ministry: This provides spiritually encouraging gifts to uplift the soul of individuals who are going through challenging times in their life. Each person receives an anonymous box with five personal letters written to them and five wrapped gifts.

Scholarships and funding for third world humanitarian mission: Individual students selected by The MADF Scholarship Selection Committee will be awarded $1,500 scholarship to apply towards college educational expenses. Past scholarship awardees can apply annually up to a maximum of four years.

Management and general activities include the functions necessary to provide support for the Organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals and others.

Note 2. Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (US GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations, the only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of tis operations.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use resources in accordance with the donor's instructions.

Classification of Transactions
All revenue and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period.

Cash and Cash Equivalents
Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The organization maintains cash balances at several financial institutions locally. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. The balance occasionally may exceed those limits. Cash equivalents, other securities, and limited amounts of cash held at brokerage accounts are protected the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account, with a limit of $250,000 for claims of uninvested cash balances. Additional brokerage insurance, in addition to SIPC protection, is provided through underwriters in London. The SIPC insurance does not protect against market losses on investments.

Accounts Receivable
Grants receivable are primarily unsecured non-interest-bearing accounts due from vendors or grantors on a cost reimbursement or performance grants, or as a payment for goods and services. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Investments
Investments are carried at fair value. Fair value is determined from readily available quoted market sources where available. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value. Unrealized gains and losses are reported as investment income is combined with realized gains and losses and reported as investment income.

Inventory
Inventory consists of donated consumable non-perishable food items and purchased items to be distributed due to COVID, such as personal protective equipment (PPE), masks, hand sanitizer, etc. The food is to be distributed at food bank locations to the public or delivered to people upon request. The food is also distributed in other programs. The donated food is valued at the State valuation rate of $1.82 and $1.67 per pound for the years ended December 31, 2022 and 2021, respectively. Food donated from government sources cannot be resold. The organization has no plans to resell any non-government donated food items. Purchased items are valued at cost.

Fixed Assets
Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as donations without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions

of cash that must be used to acquire property and equipment are reported as donations with donor restrictions.

Depreciation is provided using the straight-line method over the estimated useful lives of five to thirty-nine years. The Organization's policy is to capitalize property and equipment over $1,000.

Functional Allocation of Expenses
The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Contributions
Contributions, including unconditional promises to give, are recognized when received. All contributions are reports as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future period or for specific purposes are reported as increases to net assets with donor restrictions, consistent with the nature of the restriction, Unconditional promises with payments due in future year have an implied restriction to be used in the year the payment is due, and therefore are reported as donor restricted until the payment is due unless the contributions is clearly intended to support activities of the current fiscal year or is received with permanent restrictions, Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions (Contributed Goods and Services)
Contributed materials have been recorded on the basis of rates that otherwise would have been paid for similar goods. Donated services are recorded as in-kind contributions and are recognized as revenue at the estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchase if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized.

The organization calculates the value of food and non-food donations based on the weight at the time of the donation. The dollar value per pound of food is $1.82 and $1.67 was established by the State of Washington, Emergency Food Assistance Program (EFAP) for the years ended December 31, 2022 and 2021, respectively. The estimated value of donated food was $6,831,928 and $3,846,332 for the years ended December 31, 2022 and 2021, respectively.

Such donations cannot be resold or used internally by the Organization. This method was applied consistently and the estimated fair value was not expected to be materially different from that determined using a more detail measurement of the inventory’s fair value.

Donated supplies, which are recorded as contributions at the date of the gift and as expense when the donated items are placed into service or distributed. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy.

Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reports as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. The amount of donated use of facilities totaled $12,782 and $12,000 for the years ended December 31, 2022 and 2021, respectively.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialize skills, and are provided by individuals possessing those skills.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred under cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal and other governmental agencies is subject to independent audit under the US Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Rental Income

For each of the properties, rental income is recognized when rent is due, not when it is received. If there are any adjustments to the expected amount of income received, those adjustments are recognized at the time rent is received.

Expense Recognition and Allocation

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charge directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

> Salaries and wages, benefits and payroll taxes are allocated based on activity reports prepared by key personnel.
>
> Occupancy, depreciation and amortization are allocated on a square foot basis dependent on the programs and supporting activities that occupy the space. The organization allocates property management by number of clients in each cost center.

Telephone and internet services, insurance, and supplies and miscellaneous expense that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. The organization allocates management and general by payroll by cost center.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. Advertising costs are expensed as incurred.

Tax status
The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Recent accounting pronouncements adopted
In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. There was no material impact on the financial statements upon the adoption of ASU 2016-02.

Note 3. Liquidity and Availability

Making a Difference Foundation strives to maintain liquid financial assets sufficient to cover a minimum of 90 days of general expenditures. As of December 31, 2022, Making a Difference Foundation has liquid assets that would be sufficient to cover approximately 5 months of general expenditures. In addition to the financial assets available to meet general expenditures over a 12-month period, the organization operates with a balanced budget and anticipates sufficient revenue to cover general expenditures.

The following table reflects Making a Difference Foundation's financial assets as of December 31, reduced by the amounts that are not available to meet general expenditures, if any.

	2022	2021
Cash and cash equivalents	$ 1,621,756	$ 1,665,111
Investments	51,275	95,457
Deposits	70,278	35,679
Financial assets available to meet cash needs	$ 1,743,309	$ 1,796,247

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments.

Note 4. Fair Value Measurements

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The assets or liabilities measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in markets that are not active;
  - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including unconditional promises to give.
- Recurring measurement of short-term investments.
- Recurring measurement of long-term investments.

Note 5. Investments

As discussed in Note 4 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments at December 31, 2022, including investments measured at NAV if the NAV is determined as the fair value per share (unit) is published, and is the basis for current transactions. Level 2 is for investments measured using inputs such as the quoted prices for similar assets or quoted prices for identical assists in inactive markets. Level 3 is for investments measured using inputs that are unobservable, and is used for situations for which there is little, if any market activity for the investment.

The Organization uses the following ways to determine the fair value of its instruments:

Money market funds: Determined by the published NAV per unit at the end of the last trading day of the year, this is the basis for transactions at that date.

Note 6. Grants Receivable

Grants receivable, including federal financial assistance, consists mainly of amounts due under government reimbursed-based contracts. Management believes all amounts are collectible. The government agencies reimburse the organization upon satisfactory completion of services and the requirements of the contract. Retroactive adjustments can be made by the government agencies up to sixty (60) days after the submission of the invoice.

For the year ended December 31, 2022, two government agencies comprised 83% of the outstanding accounts receivable at year end. Management believes these amounts are collectible.

Note 7. Fixed Assets

Fixed assets consisted of the following at December 31:

	2022	2021
Property and equipment		
Buildings and improvements	$ 3,307,394	$ 3,307,393
Furniture and equipment	349,943	309,857
Vehicles	239,679	239,679
Other	199,012	211,050
	4,096,028	4,067,979
Less accumulated depreciation	(1,417,825)	(1,174,264)
	$ 2,678,203	$ 2,893,715

Note 8. Long-Term Debt

Long-term debt consists thirty-six properties purchased in the states of Texas and Washington to rent to low-income veterans. A majority of the properties were purchased from the Federal Department of Veterans Affairs (VA). These properties are acquired as a result of terminations on VA-guarantees and VA-financed loans. These properties are then marketed for sale thru a property management service contract. BSI Financial Services finances the mortgages for thirty-four properties.

Aggregate annual principal maturities on long-term debt for the years ending December 31 are as follows:

2023	$ 74,747
2024	81,892
2025	75,998
2026	81,067
2027	83,232
Thereafter	1,651,061
	$ 2,047,997

The Organization also received a loan from the US Small Business Administration as follows:

	2022	2021
SBA Secured Business Loan, initial amount of $150,000 increased to $500,000, monthly payments of $2,207 begin July 2022, 2.75% interest rate, 30 year note, secured by business assets.	$ 500,000	500,000
	$ 500,000	$ 500,000

Note 9. Donated Food

The following food was donated, by source, for the year ended December 31, 2022:

	2022	2021
Donations from the community	$ 2,400,072	$ 1,567,287
Donations from Emergency Food Network	1,066,902	994,904
Donations from Food Lifeline	3,364,954	1,284,141
Donations from local produce company	2,400,072	-
Donations from TEFAP federal assistance	1,952,474	2,197,664
	$ 11,184,474	$ 6,043,996

Note 10. Commitments

The Organization leases five facilities to be used for program services on short-term leases. These facilities are primarily leased on a yearly basis at approximately $500 per month for each space. Rent expense was $86,640 and $86,379 for the years ended December 31, 2022 and 2021, respectively.

Note 11. Concentration of Credit Risk

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts report in the financial statements. Management is of the opinion that the diversification of the invested assets amount the various asset classes should mitigate the impact of changes in any one class.

Note 12. Related Parties

The President/CEO (executive director) purchases items for the organization to be reimbursed. Those purchases totaled $136,000 and $99,644 for the years ended December 31, 2022 and 2021, respectively. The organization borrowed $78,000 during the year ended December 31, 2022. The organization owed the executive director over $17,000 and $17,000 for the years ended December 31, 2022, respectively. The executive director is president of another company which rents property to the organization which paid rent to that company of $28,390 and $28,930 during the years ended December 31, 2022 and 2021, respectively. The executive director also donates three garages attached to a residential rental property, which she donated for $12,000 and $12,782 for the years ended December 31, 2022 and 2021, respectively.

Note 13. Prior Period Adjustment

In the year 2021, the organization noted an error in applying accounting policies for monies received from the Payroll Protection Program (PPP). Generally accepted accounting principles (GAAP) for the accounting for these federal funds was unavailable, or changing, during this time frame. This resulted in a change in net assets of $68,391, a recording error for the PPP loan.

Note 14. Subsequent Events

Management of the Organization has evaluated events and transactions occurring after December 31, 2022, through the date this report, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements.

SUPPLEMENTARY REPORTS AND SCHEDULES
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE

MAKING A DIFFERENCE FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying Number	Current Federal Expenditures	Total
US Dept of Agriculture				
Pass Through the Emergency Food Network				
Emergency Food Assistance Program	10.569	TEFAP Grant Funding	$ 43,017	
Emergency Food Assistance Program	10.568	TEFAP Food Commodities onl	1,952,474	
Total US Department of Agriculture				**$ 1,995,491**
US Department of Treasury				
Pass Through the WA State Dept of Agriculture				
Coronavirus State & Local Fiscal Recovery Funds	21.027	Flex & Infusion K3752	270,285	
Coronavirus State & Local Fiscal Recovery Funds	21.027	Resiliency K4057	5,020	
Coronavirus State & Local Fiscal Recovery Funds	21.027	WA Cook K3898	44,855	
Coronavirus State & Local Fiscal Recovery Funds	21.027	WA Feed K3988	416,775	
Pass Through the Harvest Against Hunger				
Coronavirus State & Local Fiscal Recovery Funds	21.027	F2FP, Small Capacity Resiliency	30,846	
Pass Through the Emergency Food Network				
Coronavirus State & Local Fiscal Recovery Funds	21.027	Pierce County ARPA Funds	51,584	
Total US Department of Treasury				**$ 819,365**
Total Expenditure of Federal Awards				**$ 2,814,856**

MAKING A DIFFERENCE FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Making a Difference Foundation under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 US 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 Making a Difference Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Making a Difference Foundation.

Note 2. 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. Making a Difference Foundation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

LINDLEY & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS
1603 116th Ave NE, Suite 100
Bellevue, WA 98004-9003
Phone: 425-455-4800
www.LindleyCPAs.com

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
Making a Difference Foundation

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, the financial statements of Making a Difference Foundation (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Making a Difference Foundation’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Making a Difference Foundation'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 a 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 and therefore, 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 Making a Difference Foundation'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.

Lindley & Associates LLC

Lindley & Associates LLC
September 29, 2023

LINDLEY & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

1603 116th Ave NE, Suite 100
Bellevue, WA 98004-9003
Phone: 425-455-4800
www.LindleyCPAs.com

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

To the Board of Directors
Making a Difference Foundation

Report on Compliance for Each Major Federal Program

We have audited Making a Difference Foundation's 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 Making a Difference Foundation's major federal programs for the year ended December 31, 2022. The Making a Difference Foundation's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Making a Difference Foundation 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 December 31, 2022.

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; 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 Making a Difference Foundation 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 each major federal program. Our audit does not provide a legal determination of Making a Difference Foundation compliance with the 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 Making a Difference Foundation's federal programs.

Auditor's Responsibilities 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 Making a Difference Foundation'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 generally accepted auditing standards, *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 Making a Difference Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Making a Difference Foundation'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 Making a Difference Foundation'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 Making a Difference Foundation'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.

Lindley & Associates LLC

Lindley & Associates LLC
September 29, 2023

MAKING A DIFFERENCE FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 ___X_no
Significant deficiency(s) identified:	______yes __X_no
Noncompliance material to the financial statements noted:	______yes ___X_no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified:	______yes ___x_no
Significant deficiency(s) identified	______yes ___x__no
Type of auditors' report issued on compliance for major federal award programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a)?	______yes ___x_no

Identification of major programs (loans):

CFDA Number (s)	Name of Federal Program or Cluster
10.588, 10.589 cluster	Emergency Food Assistance Program TEFAP Commodities only
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

MAKING A DIFFERENCE FOUNDATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022 (continued)

SECTION 2 – Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

SECTION 3 – Findings and Questioned Costs for Federal Awards

None

:

MAKING A DIFFERENCE FOUNDATION
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022

SECTION 2 – Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

SECTION 3 – Findings and Questioned Costs for Federal Awards

None