

OREGON FOOD BANK, INC.

Audited Financial Statements

For the Year Ended June 30, 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oregon Food Bank, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Oregon Food Bank, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Food Bank, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Oregon Food Bank, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021 on our consideration of Oregon Food Bank, Inc.'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 Oregon Food Bank, Inc.'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 Oregon Food Bank, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobz, P.C.

Portland, Oregon
February 10, 2021

OREGON FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 17,199,514	\$ 1,802,514
Accounts and other receivables	2,817,038	2,914,058
Pledges receivable	309,700	365,160
Inventory	4,435,874	5,389,965
Prepaid expenses	486,326	227,162
Investments	13,239,528	12,202,756
Property and equipment, net	15,729,669	15,746,807
 TOTAL ASSETS	 \$ 54,217,649	 \$ 38,648,422
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 2,453,308	\$ 1,477,866
Agency pass-through payable	415,929	620,758
Accrued payroll and vacation	1,209,930	922,568
Advance deposits and deferred revenue	1,264,058	44,293
Refundable advance - Paycheck Protection Program	2,560,665	-
Obligations under annuity agreements	82,680	90,771
Total liabilities	7,986,570	3,156,256
Net assets:		
Without donor restrictions:		
Undesignated	24,853,028	12,602,535
Board designated	1,968,953	2,063,668
Net property and equipment	15,729,669	15,746,807
Total without donor restrictions	42,551,650	30,413,010
With donor restrictions	3,679,429	5,079,156
Total net assets	46,231,079	35,492,166
 TOTAL LIABILITIES AND NET ASSETS	 \$ 54,217,649	 \$ 38,648,422

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 30,405,124	\$ 1,057,804	\$ 31,462,928	\$ 13,969,192
Harvest Dinner, net of expenses of \$176,070 for 2020 and \$179,179 for 2019	615,384	-	615,384	562,569
Government support	7,946,689	-	7,946,689	3,980,581
Share contributions	164,988	-	164,988	345,111
Food-to-buy program	2,758,800	-	2,758,800	3,254,388
Donated goods and services	127,905	-	127,905	46,794
Investment income	80,363	-	80,363	494,790
Other income	123,934	-	123,934	76,378
Net assets released from restrictions:				
Satisfaction of purpose restrictions	888,702	(888,702)	-	-
Total support and revenue	43,111,889	169,102	43,280,991	22,729,803
Operating Expenses:				
Food programs	21,570,465	-	21,570,465	16,194,832
Education and other programs	1,501,873	-	1,501,873	1,632,713
Advocacy	1,519,827	-	1,519,827	665,082
Total program services	24,592,165	-	24,592,165	18,492,627
Supporting services:				
Management and general	1,645,804	-	1,645,804	1,792,296
Fundraising	4,747,002	-	4,747,002	4,074,013
Total operating expenses	30,984,971	-	30,984,971	24,358,936
Change in net assets from operations before in-kind food and pass-through	12,126,918	169,102	12,296,020	(1,629,133)

Continued

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Change in net assets from operations before in-kind food and pass-through	\$ 12,126,918	\$ 169,102	\$ 12,296,020	\$ (1,629,133)
In-kind Food and Pass-Through Revenue:				
Government commodities	-	28,866,119	28,866,119	15,288,930
Donated food	-	28,251,350	28,251,350	35,188,374
Government support, pass-through	5,818,994	-	5,818,994	2,667,083
Contributions, pass-through	834,900	-	834,900	777,955
Net assets released from restrictions:				
Satisfaction of purpose restrictions	58,686,298	(58,686,298)	-	-
Total in-kind food and pass-through revenue	65,340,192	(1,568,829)	63,771,363	53,922,342
In-kind Food and Pass-Through Expense:				
Value of product distributed - in-kind:				
USDA/TEFAP goods distributed	29,666,933	-	29,666,933	13,720,993
Donated goods distributed	29,021,518	-	29,021,518	36,452,149
Total value of product distributed in-kind	58,688,451	-	58,688,451	50,173,142
Distribution of pass-through	6,640,019	-	6,640,019	3,453,973
Total in-kind food and pass-thru expense	65,328,470	-	65,328,470	53,627,115
 Net in-kind food and pass-through activities	 11,722	 (1,568,829)	 (1,557,107)	 295,227
 Change in net assets	 12,138,640	 (1,399,727)	 10,738,913	 (1,333,906)
Net assets:				
Beginning of year	30,413,010	5,079,156	35,492,166	36,826,072
End of year	\$ 42,551,650	\$ 3,679,429	\$ 46,231,079	\$ 35,492,166

Concluded

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020								
	Food Programs	Education and Other Programs	Advocacy	Total Programs	Management and General	Fund- Raising	Special Events	Total	2019 Total
Operating activities:									
Salaries and related expenses	\$ 8,479,488	\$ 1,099,166	\$ 692,220	\$ 10,270,874	\$ 1,215,129	\$ 2,724,497	\$ -	\$ 14,210,500	\$ 12,967,127
Purchased contract services	163,683	26,900	48,226	238,809	53,096	368,737	98,389	759,031	495,522
Supplies and miscellaneous	347,431	25,193	3,560	376,184	106,537	19,962	42,071	544,754	471,961
Telephone and computer support	281,919	81,590	17,145	380,654	41,792	182,800	-	605,246	453,388
Direct mail	-	-	-	-	-	536,119	-	536,119	420,837
Postage and publications	16,618	4,701	2,177	23,496	4,728	306,830	4,617	339,671	279,686
Transportation	694,468	107	-	694,575	-	-	-	694,575	845,738
Occupancy	601,609	58,910	19,788	680,307	39,577	98,942	-	818,826	859,997
Insurance	141,266	7,857	3,625	152,748	7,249	18,123	-	178,120	160,677
Equipment and maintenance	460,679	5,665	1,818	468,162	3,683	9,091	28,598	509,534	347,344
Conferences, meetings, and travel	204,566	35,578	43,305	283,449	22,305	33,830	-	339,584	363,530
Dues and fees	56,911	6,658	2,949	66,518	104,097	329,045	2,395	502,055	326,353
Depreciation	583,331	50,000	24,999	658,330	47,611	119,026	-	824,967	795,458
Food related costs	654,373	-	-	654,373	-	-	-	654,373	735,514
Partner support	1,103,531	99,548	660,015	1,863,094	-	-	-	1,863,094	566,082
Network support	1,379,394	-	-	1,379,394	-	-	-	1,379,394	777,245
Value of product distributed:									
Food-to-buy goods distributed	2,663,336	-	-	2,663,336	-	-	-	2,663,336	3,100,701
Purchased product distributed	3,737,862	-	-	3,737,862	-	-	-	3,737,862	570,955
Total operating expenses	<u>21,570,465</u>	<u>1,501,873</u>	<u>1,519,827</u>	<u>24,592,165</u>	<u>1,645,804</u>	<u>4,747,002</u>	<u>176,070</u>	<u>31,161,041</u>	<u>24,538,115</u>
Value of product distributed - in-kind:									
USDA/TEFAP goods distributed	29,666,933	-	-	29,666,933	-	-	-	29,666,933	13,720,993
Donated goods distributed	29,021,518	-	-	29,021,518	-	-	-	29,021,518	36,452,149
Total value of product distributed	<u>58,688,451</u>	<u>-</u>	<u>-</u>	<u>58,688,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,688,451</u>	<u>50,173,142</u>
Pass-through activities:									
Federal	4,485,760	-	-	4,485,760	-	-	-	4,485,760	925,934
State	1,277,969	-	-	1,277,969	-	-	-	1,277,969	1,750,084
Other pass-through	876,290	-	-	876,290	-	-	-	876,290	777,955
Total pass-through activities	<u>6,640,019</u>	<u>-</u>	<u>-</u>	<u>6,640,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,640,019</u>	<u>3,453,973</u>
	86,898,935	1,501,873	1,519,827	89,920,635	1,645,804	4,747,002	176,070	96,489,511	78,165,230
Direct costs of events netted with revenue	-	-	-	-	-	-	(176,070)	(176,070)	(179,179)
Total expenses	<u>\$ 86,898,935</u>	<u>\$ 1,501,873</u>	<u>\$ 1,519,827</u>	<u>\$ 89,920,635</u>	<u>\$ 1,645,804</u>	<u>\$ 4,747,002</u>	<u>\$ -</u>	<u>\$ 96,313,441</u>	<u>\$ 77,986,051</u>

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 10,738,913	\$ (1,333,906)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	824,967	795,458
Contributions restricted to capital projects	(132,500)	-
Change in value of investments	130,675	(210,329)
Gain on disposal of equipment	(32,500)	(3,500)
(Increase) decrease in:		
Accounts, pledges, and other receivables	152,480	(2,005,345)
Inventory	954,091	(84,112)
Prepaid expenses	(259,164)	(112,554)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,057,975	1,197,028
Advance deposits and deferred revenue	1,219,765	(352,992)
Refundable advance - Paycheck Protection Program	2,560,665	-
Net cash flows from operating activities	17,215,367	(2,110,252)
Cash flows from investing activities:		
Purchase of property and equipment	(807,829)	(929,560)
Proceeds from sale of property and equipment	32,500	3,500
Annuity payments to beneficiaries	(8,091)	(8,091)
Proceeds from investments and certificates of deposit	2,038,080	2,038,085
Additions to investments	(3,205,527)	(480,693)
Net cash flows from investing activities	(1,950,867)	623,241
Cash flows from financing activities:		
Payments on pledges restricted to capital projects	132,500	-
Net cash flows from financing activities	132,500	-
Net change in cash and cash equivalents	15,397,000	(1,487,011)
Cash and cash equivalents - beginning of year	1,802,514	3,289,525
Cash and cash equivalents - end of year	\$ 17,199,514	\$ 1,802,514

See notes to financial statements.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

I. DESCRIPTION OF THE ORGANIZATION

Oregon Food Bank (OFB or the Organization) acts as a convener, capacity builder and resource broker to support community partners of the Oregon Food Bank Network, the Oregon Community Food Systems Network and other regional and statewide collaborations. Oregon Food Bank owns and operates a warehouse in Multnomah County, serving as the hub for statewide receipts and distribution of Federal Commodities and corporate and private donations. Additionally, OFB owns and operates five Regional Food Banks, serving Multnomah, Clackamas, Washington, Harney, Malheur, Tillamook, Sherman, Hood River and Wasco Counties. OFB builds community engagement through robust client and volunteer lead networks.

Oregon Food Bank believes that food and health are basic human rights for all. We know that hunger is not just an individual experience; it is also a community-wide symptom of barriers to employment, education, housing and health care. That's why OFB works on two fronts in its mission to end hunger in Oregon: we build community connections to help people access nutritious, affordable food today, and build community power to eliminate the root causes of hunger for good.

- As an organization that touches every corner of our state—and building on the power of food as a shared human experience that connects us all—Oregon Food Bank has a unique role in mobilizing action to support the long-term health and resilience of all communities.
- Ending hunger means ensuring that all of us—no matter our racial background, or identity — have the opportunity to earn a living, get the health care we need without going into debt, and afford safe, secure housing. It also means building and supporting local food systems in places where people currently lack access to healthy food in urban and rural communities.
- We believe in community-led change—and our work to create hunger-free communities is led by people who have experienced hunger. Amplifying community voices and growing grassroots power are core parts of our work to address the root causes of hunger

We are members of Feeding America, a national organization supporting more than 200 food banks across the country, and the largest domestic hunger relief agency in the United States.

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2020

I. DESCRIPTION OF THE ORGANIZATION, Continued

Government Programs

OFB receives funds through several government programs that are passed through to some or all OFB Network of Regional Food Banks. Pass through allocations are computed using various poverty, unemployment and other population factors depending upon the program. Continued funding levels are subject to annual renewal by the governmental agencies.

The Emergency Food Assistance Program (TEFAP)

The Emergency Food Assistance Program is a Federal program that supplements the diets of Americans meeting income eligibility requirements, by providing emergency food and nutrition assistance. TEFAP also provides funding for direct costs of personnel, storage, and distribution expenses incurred for the operation of the USDA commodities program which is passed through to the RFBs. Under contract with the Oregon Department of Human Services (DHS), OFB receives and distributes TEFAP commodities to the RFB's.

Oregon Hunger Response Fund (OHRF)

Oregon Hunger Response Fund was established by the State of Oregon in 1993 to acquire food and new food sources, build network capacities and link emergency food clients to other services.

The Commodity Supplemental Food Program (CSFP)

The Commodity Supplemental Food Program is a federally funded nutrition program, which works to specifically improve the health of low-income elderly people.

Emergency Food and Shelter Program (EFSP)

OFB makes bulk purchases of food for local agencies in Clackamas, Multnomah and Washington counties. It is reimbursed for its bulk purchases with funds from the U.S. Federal Emergency Management Agency (FEMA) Emergency Food and Shelter Program (EFSP) which are passed through by government or other agencies.

COVID-19 Emergency Food Distribution

OFB received \$8 million of emergency funding from DHS for the procurement and distribution of non-USDA foods to combat hunger and food shortages caused by the COVID-19 global pandemic. This funding has been allocated as follows for the years ending June 30, 2020 and 2021:

	<u>2020</u>	<u>2021</u>	<u>Total</u>
Oregon Food Bank	\$ 3,330,617	\$ 1,397,667	\$ 4,728,284
Regional food banks and partner agencies	3,199,671	72,045	3,271,716
Total	<u>\$ 6,530,288</u>	<u>\$ 1,469,712</u>	<u>\$ 8,000,000</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, OFB considers all investments with purchased maturity of three months or less to be cash equivalents. Cash equivalents included with investments are considered investments.

Accounts Receivable

Receivables represent amounts due from partner agencies and regional network foodbanks for share contributions and food to buy purchases. No provision for estimated uncollectible receivables has been made, since management considers all receivables fully collectible.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at the amount management expects to collect on balances outstanding at year-end.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Refundable Advance – Paycheck Protection Program

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period OFB is notified of the commitment. Bequests are recorded as revenue at the time OFB has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received in advance for events included in advance deposits and deferred revenue total \$88,465 and \$30,000 at June 30, 2020 and 2019, respectively.

Government Support: A portion of the Organization's revenue is derived from cost-reimbursable grants and contracts, which are conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported in advance deposits and deferred revenue in the statement of financial position. Advances on these grants total approximately \$1,192,000 and \$14,300 at June 30, 2020 and 2019, respectively. The Organization has been awarded cost-reimbursable grants of approximately \$7,600,000 for the period through June 30, 2021 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Share Contributions and Food-to-Buy Program: Share contributions and purchased Food-to-Buy is food that is purchased by OFB at bulk prices and distributed to Regional Food Banks and local agencies at cost plus a nominal administrative fee. Share contribution revenue and Food-to-Buy program revenue is recognized upon shipment of the purchased food. Effective April 2020, all Food-to-Buy sales were transacted at cost, as a response by OFB to the food shortages caused by the global pandemic.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Donated Goods, Services and Food: Donated goods are reflected as a temporarily restricted contribution when received and are reflected as released from restriction as it is distributed. OFB received approximately 24.1 million and 28.2 million pounds of food and grocery products from the food industry, other businesses, community organizations and individuals in 2020 and 2019, respectively. The product is valued at its estimated wholesale value of \$1.25 per pound at June 30, 2020 and 2019. To arrive at the estimated wholesale fair value, OFB uses an independent accountant's report prepared for Feeding America as a guide to determine an average rate that reflects the specific composition of inventory held at OFB.

Donations of materials and equipment are reflected as support without donor restrictions and expensed as utilized at their estimated fair value.

OFB recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2020, approximately 22,400 volunteers provided more than 103,000 hours re-packing food, assisting with educational and community programs and special events. These hours of general volunteer support are not reflected in the financial statements as they do not meet the criteria for recording donated services.

Income Tax Status

Oregon Food Bank, Inc. is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy which is allocated on the basis of square footage. Salaries and related costs, professional services, supplies, telephone and computer support, publications and postage, insurance, maintenance, conferences, meetings, travel, dues and fees, are allocated on the basis of estimated time and effort.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

The Organization implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

Summarized Financial Information for 2019

The financial information as of June 30, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

Management of OFB has evaluated subsequent events through February 10, 2021, the date the financial statements were available to be issued.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. See Note 7 for information regarding the Organization's deposit under its unemployment arrangement with the State of Oregon, which the Organization excludes from financial assets available for general expenditure.

Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 17,199,514	\$ 1,802,514
Accounts receivable	2,817,038	2,914,058
Pledges receivable	309,700	365,160
Investments	<u>13,239,528</u>	<u>12,202,756</u>
	33,565,780	17,284,488
Less amounts unavailable for general expenditure:		
Net assets with donor and other restrictions	578,637	379,535
Board designations	<u>1,968,953</u>	<u>2,063,668</u>
Financial assets available for general expenditure	<u>\$ 31,018,190</u>	<u>\$ 14,841,285</u>

See Note 13 for the Organization's policies regarding funds designated by the board as a quasi-endowment. While the Organization does not intend to use funds from the board designated funds, board designated funds could be made available, if necessary, with a majority vote of the Board.

4. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are unsecured and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Regional food banks	\$ 94,071	\$ 311,034
Federal, state and county appropriations	2,518,113	2,161,150
Portland Children's Levy	168,146	118,772
Other	<u>36,708</u>	<u>323,102</u>
Total accounts and other receivables	<u>\$ 2,817,038</u>	<u>\$ 2,914,058</u>

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2020

5. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give and are unsecured. Management considers all pledges receivables to be fully collectible; therefore, no provision for estimated uncollectible accounts has been made. Pledges receivable at June 30, 2020 and 2019 are receivable within one year.

6. INVENTORY

Inventory consists of donated goods valued at its estimated wholesale value, US Department of Agriculture (USDA) commodities stated at values provided by the USDA, and purchased food valued at the lower of cost or net realizable value on a first-in-first-out basis. Inventory that has been donated is reflected as donor restricted until distributed. Inventory consists of the following at June 30, 2020 and 2019:

	2020	2019
Donated product	\$ 1,586,606	\$ 2,411,122
USDA Food	1,736,762	2,481,075
Purchased product	1,112,506	497,768
Total inventory	\$ 4,435,874	\$ 5,389,965

7. UNEMPLOYMENT DEPOSIT AND SELF-FUNDED UNEMPLOYMENT INSURANCE

Cash and cash equivalents include a certificate of deposit in the amount of \$222,576 and \$192,576 at June 30, 2020 and 2019, respectively, posted with the State of Oregon, Department of Employment, under a special election to self-insure unemployment claims in lieu of making unemployment tax payments.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

8. INVESTMENTS

Investments are stated at fair value and are summarized as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 38,386	\$ 65,906
Certificates of deposit	-	1,042,336
Invested money market fund	3,101,113	-
Fixed income mutual funds	3,064,165	2,944,242
Equity mutual funds	4,955,414	5,971,941
Designated investments for annuity agreements (Note 10)	111,497	114,663
Beneficial interest in assets held by OCF (Note 13)	<u>1,968,953</u>	<u>2,063,668</u>
Total investments	<u>\$ 13,239,528</u>	<u>\$ 12,202,756</u>

Certificates of deposit at June 30, 2019, earned interest at rates ranging from 1.05% to 2.31% with maturities through January 2020. The certificates were not renewed.

OFB has invested assets with Oregon Community Foundation (OCF), and with a financial institution, each of which maintains a well-diversified asset mix, which includes equity and debt securities which are reflected at fair value.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,289,142	\$ 3,289,142
Buildings	16,192,155	15,958,660
Office furniture and equipment	327,879	327,879
Computer equipment and software	1,095,464	995,628
Warehouse equipment	1,485,350	1,335,229
Vehicles	3,500,349	3,556,317
Artwork	13,800	13,800
Work in progress	<u>45,233</u>	<u>72,415</u>
Total property and equipment	25,949,372	25,549,070
Less accumulated depreciation	<u>(10,219,703)</u>	<u>(9,802,263)</u>
Property and equipment, net	<u>\$ 15,729,669</u>	<u>\$ 15,746,807</u>

In November 2020, OFB purchased a building in The Dalles, Oregon for approximately \$750,000.

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2020

10. ANNUITY AGREEMENTS

OFB has entered into charitable gift annuity agreements with donors. Under the agreements, OFB is required to pay a guaranteed amount (annuity) for the lifetime of the donor or beneficiary (annuitant). Unless restricted by the donor, the remainder is placed in the Board designated fund for endowment.

OFB's charitable gift annuity funds are held in a separate trust, which are managed in accordance with the trust's investment policy. Assets are invested in marketable securities and totaled \$111,497 and \$114,663 at June 30, 2020 and 2019, respectively, and are included in investments (Note 8).

As a trustee, OFB is obligated to make annuity payments under seven charitable gift annuity agreements to five annuitants. Under the terms of the agreements, the donors receive payments over the donors' remaining lives. Using discount rates of 4.5%-6.0%, the estimated present value of OFB's liability under these agreements is \$82,680 and \$90,771 at June 30, 2020 and 2019, respectively.

11. LEASE COMMITMENTS

The Organization leases administrative and operating facilities and equipment under various operating lease agreements summarized below:

- Office and warehouse space in Ontario, through June 2021, monthly rent of \$2,300
- Office and warehouse space in Tillamook, through June 2021, monthly rent of \$2,100
- Office and warehouse space in The Dalles, through September 2020, monthly rent of \$2,415 (not renewed)
- Office equipment, through August 2025, monthly rent of \$3,300
- Fork lifts, through March 2023 monthly rent of \$5,600

Total rent expense under these leases and month-to-month leases for equipment approximated \$379,100 and \$222,600 for the years ended June 30, 2020 and 2019, respectively.

Approximate future minimum lease payments under non-cancellable leases are as follows:

Year ending June 30, 2021	\$ 164,200
2022	78,100
2023	48,300
2024	11,200
2025	11,200
Thereafter	1,900
Total	\$ 314,900

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

12. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become an OFB liability if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

13. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of a board-designated endowment Fund at Oregon Community Foundation at June 30, 2020 and 2019.

The Oregon Food Bank Endowment Fund (the Fund), also known as the Board-Directed Endowment Fund or the Quasi-Endowment Fund, was established to supplement the Annual Fund and to protect major capital investments, in order to best serve the mission of OFB and achieve its long-term strategic goals. The Board established a quasi-endowment fund account at Oregon Community Foundation (OCF). Under the terms of the agreement, variance power has been granted to OCF; however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position.

OCF maintains a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions to support operations. Accordingly, OFB expects its investments to produce an average rate of return consistent with the market. Investment risk is measured in terms of the total investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

OFB may apply income from the Fund, if the Board of Directors takes specific action to do so. OFB may also use the Fund principal upon a majority vote of the Board of Directors if it determines that an emergency exists such that OFB's mission and services are jeopardized. Distributions from OCF totaled \$87,255 and \$85,862 for the years ended June 30, 2020 and 2019, respectively.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

13. BOARD DESIGNATED NET ASSETS, Continued

Changes in the Fund for the years ended June 30, 2020 and 2019, respectively, are as follows:

	2020	2019
Balance at beginning of year	\$ 2,063,668	\$ 2,019,400
Investment income, net of expenses	(7,460)	130,130
Less transfer to operations	(87,255)	(85,862)
Balance at year end	\$ 1,968,953	\$ 2,063,668

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Food Distribution:		
Donated product	\$ 1,586,606	\$ 2,411,122
USDA food	1,736,762	2,481,075
Other program restrictions	356,061	186,959
Total net assets with donor restrictions	\$ 3,679,429	\$ 5,079,156

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

15. CONTRIBUTION REVENUE

Contribution revenue consists of the following for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020			
Individuals	\$ 22,699,189	\$ 25,000	\$ 22,724,189
Foundations	1,442,861	620,150	2,063,011
Corporations	5,706,381	412,654	6,119,035
Other organizations	556,693	-	556,693
	<u>30,405,124</u>	<u>1,057,804</u>	<u>31,462,928</u>
Pass-through contributions	834,900	-	834,900
Total contributions	<u>\$ 31,240,024</u>	<u>\$ 1,057,804</u>	<u>\$ 32,297,828</u>
June 30, 2019			
Individuals	\$ 10,514,049	\$ 238,671	\$ 10,752,720
Foundations	299,592	260,000	559,592
Corporations	2,110,249	438,714	2,548,963
Other organizations	106,942	975	107,917
	<u>13,030,832</u>	<u>938,360</u>	<u>13,969,192</u>
Pass-through contributions	777,955	-	777,955
Total contributions	<u>\$ 13,808,787</u>	<u>\$ 938,360</u>	<u>\$ 14,747,147</u>

16. RETIREMENT PLAN

The Oregon Food Bank 401(k) Profit Sharing Plan allows employees to contribute funds to the Plan when hired. An employee's contributions may be made on either a pre-tax basis (the traditional 401(k) option) or on a post-tax basis (the Roth option). Employees receive OFB employer contributions of 5% of gross wages after one year of service, 6% after five years and 7% after ten years. Employees are not required to make contributions to the Plan, in order to receive an employer contribution. All contributions are fully vested when contributed. The investment decisions regarding the employer-contributed assets and employee deferrals are made by each employee. During the years ended June 30, 2020 and 2019, contributions were made to the plan and charged to operations totaled approximately \$495,700 and \$463,500, respectively.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

17. RELATED PARTY TRANSACTIONS

Two members of the OFB Board of Directors served as directors for Regional Food Banks (RFBs) within the statewide network for the years ended June 30, 2020 and 2019. During this period, these RFBs purchased goods, were eligible to receive Network Support Grants from OFB and received pass-through contributions and government grant allocations based on the allocation method in place for each grant. The individuals were also eligible and received travel reimbursement to attend meetings. The Board of Directors were aware of these transactions and understood that these took place in the normal course of operations.

During the year ended June 30, 2020 and 2019, Marion -Polk Food Share, whose executive director is also an OFB Board member, received Network Support Grants in the amounts of approximately \$109,000 and \$60,000, respectively.

18. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a financial institution located in Portland. The balances in the checking and savings accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020, there was approximately \$17,244,000 in uninsured balances (\$1,589,000 at June 30, 2019).

In addition, the majority of contributions and balances receivable are from organizations and individuals located within the same geographic region.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

19. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level I: Unadjusted quoted prices in active markets for identical assets and liabilities.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

19. FAIR VALUE MEASUREMENTS, Continued

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2020				
Assets:				
Investments - Mutual funds				
Money market fund	\$ 3,101,113	\$ 3,101,113	\$ -	\$ -
Fixed income	3,064,165	3,064,165	-	-
Equity funds - domestic	3,297,064	3,297,064	-	-
Equity funds - international	1,658,350	1,658,350	-	-
Equity and fixed income securities				
designated for annuity agreements	111,497	111,497	-	-
Beneficial interest in assets held				
by OCF	1,968,953	-	-	1,968,953
Liabilities:				
Obligations under annuity agreements	(82,680)	-	(82,680)	-
 June 30, 2019				
Assets:				
Investments - Mutual funds				
Fixed income	\$ 2,944,242	\$ 2,944,242	\$ -	\$ -
Equity funds - domestic	4,051,579	4,051,579	-	-
Equity funds - international	1,920,362	1,920,362	-	-
Equity and fixed income securities				
designated for annuity agreements	114,663	114,663	-	-
Beneficial interest in assets held				
by OCF	2,063,668	-	-	2,063,668
Liabilities:				
Obligations under annuity agreements	(82,680)	-	(82,680)	-

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2020

19. FAIR VALUE MEASUREMENTS, Continued

Fair values for investments in mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at OCF in pooled funds are valued at the net asset per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using a market approach, using quoted market prices when available.

Assets held in trust for annuity agreements include investments in equity and fixed income securities in which fair values are determined by quoted market prices. Obligations under annuity agreements are determined by calculating the present value of the future distributions to be made using published life expectancy tables and applicable discount rates using an income approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include the beneficial interest in assets held at OCF:

	2020	-
Balance at beginning of year	\$ 2,063,668	\$ 2,019,400
Earnings, net of fees	(1,353)	649
Change in value	(6,107)	129,481
Transfer to operations	(87,255)	(85,862)
Balance at end of year	<u>\$ 1,968,953</u>	<u>\$ 2,063,668</u>

The change in value is included in investment income without donor restrictions on the statement of activities.

20. UNCERTAINTY

OFB has been impacted by the effects of the world-wide coronavirus pandemic. Management is closely monitoring its operations, liquidity, and capital resources and is actively working to manage the current and future impact of this unprecedented situation. The pandemic has resulted in an increase in demand for services provided by OFB and OFB has received a significant increase in funding for Statewide emergency aid. As of the date of issuance of these financial statements, the full impact to OFB's financial position is not known.

OREGON FOOD BANK, INC.

Reports Required by GAO *Government Auditing
Standards* and the Uniform Guidance and
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020



MCDONALD JACOBS

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
Oregon Food Bank, Inc.

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 Oregon Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Food Bank, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oregon Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Food Bank, Inc.'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 organization'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

McDonald Jacobson, P.C.

Portland, Oregon
February 10, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Oregon Food Bank, Inc.

Report on Compliance for Each Major Federal Program

We have audited Oregon Food Bank, Inc.'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 Oregon Food Bank, Inc.'s major federal programs for the year ended June 30, 2020. Oregon Food Bank, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oregon Food Bank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oregon Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oregon Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Oregon Food Bank, Inc. 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, 2020.

Report on Internal Control Over Compliance

Management of Oregon Food Bank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oregon Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oregon Food Bank, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005 that we consider to be significant deficiencies.

Oregon Food Bank, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Oregon Food Bank, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Oregon Food Bank, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated February 10, 2021, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

McDonald Jacobson, P.C.

Portland, Oregon
February 10, 2021

OREGON FOOD BANK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures	Federal Sub-awards
U.S. Department of Agriculture				
<i>Pass-through from Oregon Department of Human Services</i>				
Emergency Food Assistance Program - Administration	150326	10.568	\$ 428,433	\$ 241,494
Emergency Food Assistance Program - Administration	163126	10.568	1,484,199	320,987
Emergency Food Assistance Program - Administration Families First	163126	10.568	293,902	-
Emergency Food Assistance Program - Food Commodities*	150326	10.569	13,114,372	13,114,372
Emergency Food Assistance Program - Food Commodities*	163126	10.569	16,266,574	16,266,574
Commodity Supplemental Food Program - Administration	150326	10.565	89,311	76,026
Commodity Supplemental Food Program - Administration	163126	10.565	84,029	74,772
Commodity Supplemental Food Program - Food Commodities*	150326	10.565	139,806	139,806
Commodity Supplemental Food Program - Food Commodities*	163126	10.565	<u>146,180</u>	<u>146,180</u>
Total Food Assistance Cluster			32,046,806	30,380,211
Emergency Food Assistance Program - Trade Mitigation	150326	10.178	648,553	251,277
Emergency Food Assistance Program - Trade Mitigation	163126	10.178	419,883	97,241
Beginning Farmers and Ranchers Development Program	2018-70017-28574	10.311	81,953	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	150326	10.561	<u>133,072</u>	<u>31,620</u>
Total U.S. Department of Agriculture			<u>33,330,267</u>	<u>30,760,349</u>
U.S Department of Homeland Security				
EFSP-Bulk Purchase Administration		97.024	4,370	-
<i>Pass-through from Multnomah County</i>				
EFSP-Bulk Purchase		97.024	106,597	106,597
<i>Pass-through from Clackamas County</i>				
EFSP-Bulk Purchase		97.024	61,652	61,652
<i>Pass-through from Washington County</i>				
EFSP-Bulk Purchase		97.024	<u>45,858</u>	<u>45,858</u>
Total U.S. Department of Homeland Security			<u>218,477</u>	<u>214,107</u>
Total expenditures of federal awards			<u>\$ 33,548,744</u>	<u>\$ 30,974,456</u>

*Represents noncash assistance provided to the Organization as food commodities distributed to subrecipients.

OREGON FOOD BANK, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes all federal grant activity of Oregon Food Bank, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Oregon Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Oregon Food Bank, Inc.

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Oregon Food Bank, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Total expenditures of federal awards	\$ 33,548,744
Non-federal expenditures	<u>62,940,767</u>
Total expenses per statement of activities	\$ <u>96,489,511</u>

3. FOOD DISTRIBUTION

The value of USDA food commodities received during the year was estimated by the State of Oregon and USDA. The value of USDA food commodities distributed during the year includes amounts held in inventory at the beginning of the year. As of June 30, 2020, Oregon Food Bank, Inc. had an inventory of USDA food commodities of \$1,736,762.

4. OTHER DISCLOSURE

Loans and loan guarantees and insurance: Oregon Food Bank had no loans or loan guarantees outstanding and no insurance was issued to recipients during the year ended June 30, 2020.

OREGON FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2020

Finding # 2019-001

Type: Financial Statements – Significant Deficiency over inventory valuation

Condition/Context:

The Organization recorded USDA inventory receipt valuations incorrectly in 2 out of 20 transactions sampled. The valuation errors were not material in total but were significant enough to warrant an additional level of control.

Recommendation:

The Organization should incorporate another level of review or reasonableness check over the monthly USDA valuations and activity.

Action Taken:

Additional procedures were added to our inventory reconciliations that focus on USDA Valuations. These verify the USDA valuation in Primarius to the Federal valuation and make adjustments as needed.

Status: Addressed

OREGON FOOD BANK, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020

Section 1 - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	2020-001, 2020-002, 2020-003, 2020-004, 2020-005
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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Food Assistance Cluster:
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program - Administration
10.569	Emergency Food Assistance Program - Food Commodities

Dollar threshold used to distinguish between Type A and Type B programs.	\$1,006,462
Auditee qualified as low-risk auditee?	Yes

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 2 - Financial Statement Findings

No matters reported.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs

Finding # 2020-001:

Type: Federal Award - Significant Deficiency over Allowable Costs

CFDA Number:

U.S. Department of Agriculture
10.565, 10.568, 10.569, Food Assistance Cluster

Criteria/Requirement:

The quantity recorded on the packing list should agree to the invoice amount including any changes in quantity noted on the packing list. According to section 2 CFR 200.303, the Organization should have internal controls in place to comply with requirements of the award and federal requirements to make sure amounts distributed are accurate.

Condition/Context:

Two of forty testing selections included differences between the quantity noted on the packing list and the invoice. Controls were not effective to identify differences between packing lists and actual quantities distributed.

Cause:

When orders are distributed, the actual quantity delivered is handwritten on the packing list next to the original packing list amount. These changes were not recorded in the inventory system and reflected on the final invoice.

Effect:

Total USDA commodity inventory distributions recorded may be inaccurate.

Questioned Costs:

None

Recommendation:

The Organization should develop a process to record variances between original order and actual quantity delivered to agencies. Controls should be established to indicate on the packing list that changes have been recorded.

Management's Response:

In the situations described where the packing slip can differ slightly from the invoice, our current process is to produce a credit memo or new invoice for the recipient. However, the tracking and maintenance of these need to be improved, and we plan to implement new processes within our Operations department that better track these adjustments and allow them to be referenced easily.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs, Continued

Finding # 2020-002:

Type: Federal Award - Significant Deficiency over Allowable Costs

CFDA Number:

U.S. Department of Agriculture
10.565, 10.568, 10.569, Food Assistance Cluster

Criteria/Requirement:

Packing lists should be timely signed by agency representatives receiving food commodities. According to section 2 CFR 200.303, the Organization should have internal controls in place to comply with requirements of the award and federal requirements to making sure there is timely oversight of amounts distributed.

Condition/Context:

Seven of forty packing lists examined either did not include a signature on the packing list by the receiving agency supporting delivery of commodities or contained signatures and dates after being selected for audit testing. Two of the seven exceptions noted were after the Organization modified the internal policy to no longer require a signature due to impact of COVID-19.

Cause:

The Organization processes a significant volume of transactions and did not always retain the original signed packing lists.

Effect:

Orders may be reported as distributed without support indicating agency receipt.

Questioned Costs:

None

Recommendation:

The Organization should emphasize to all staff the importance of documenting receipt of delivery by the receiving agency at the time goods are received and retaining signed packing lists. Packing lists should be retained with the invoice copy.

Management's Response:

At our Ontario location, we have historically not required packing slip signatures, in lieu of agencies being required to report back any discrepancies to the Inventory Specialist so that the order can be adjusted accordingly. This process developed organically over the years as Ontario has a small staff of three that fill and distribute all orders, and the location only distributes 1.6% of OFB's yearly pounds. We will be working with our Partnerships & Programs and Operations departments to implement new processes and procedures to address this finding.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs, Continued

Finding # 2020-003:

Type: Federal Award - Significant Deficiency over Allowable Costs

CFDA Number:

U.S. Department of Agriculture
10.565, 10.568, 10.569, Food Assistance Cluster

Criteria/Requirement:

The Organization has an internal policy requiring administrative expense reimbursements to be submitted within 90 days. This internal policy is to help ensure appropriate cut-off of expenses charged to the contract.

Condition/Context:

Three of the nine testing selections included reimbursement requests from subrecipients with expenses dated older than 90 days. There were no documented allowable exceptions to this policy.

Cause:

The Organization relies on agencies to submit promptly for reimbursement.

Effect:

Reimbursements may not be recorded timely in accordance with Organization policy to support recording in the proper period of service.

Questioned Costs:

None

Recommendation:

The Organization should review any reimbursement requests to confirm the reimbursement agrees with current internal policies.

Management's Response:

Due to COVID-19 and the massive disruptions to our network and the food industry, Oregon Food Bank gave subrecipients more time to submit reimbursement requests. We have seen reimbursement requests become more timely from our partners in the new fiscal year.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs, Continued

Finding # 2020-004:

Type: Federal Award - Significant Deficiency over Special Provisions

CFDA Number:

U.S. Department of Agriculture
10.565, 10.568, 10.569, Food Assistance Cluster

Criteria/Requirement:

The commodity receipts and distribution reports should agree to the recalculation of ending inventory. According to section 2 CFR 200.303, the Organization should have internal controls in place to comply with requirements of the award and federal requirements regarding the accuracy of inventory activity.

Condition/Context:

The formula for ending inventory, beginning inventory, plus receipts, less distributions did not agree with the recorded ending inventory. Controls over month end reconciliations did not detect the difference prior to the audit testing.

Cause:

The Organization relies on the inventory system to generate entries for the accounting system. The inventory system has known potential inconsistencies that may create variances.

Effect:

Total USDA commodity inventory receipts and distributions recorded may not be accurate.

Questioned Costs:

Known variance was approximately \$56,500 (3% of USDA inventory)

Recommendation:

The Organization should incorporate another level of review or reconciliation process over the monthly USDA inventory receipts and distributions to agree with ending inventory each period.

Management's Response:

Technical issues with our inventory software contributed to this finding. The differences noted in this finding could be caused by client computer malfunctions, network malfunctions, or interruptions while processing a transaction. We have taken steps to begin implementing a new cloud-based version of our inventory system that will lessen these types of technical issues. We will also be implementing additional procedures in our inventory reconciliation process that include quarterly year to date reconciliations, in addition to monthly reconciliations.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs, Continued

Finding # 2020-005:

Type: Federal Award - Significant Deficiency

CFDA Number:

U.S. Department of Agriculture
10.565, 10.568, 10.569, Food Assistance Cluster

Criteria/Requirement:

The Organization's accounting system should allow capturing federal expenditures with minimal adjustments in accordance with 2 CFR 200.302.

Condition/Context:

The Organization provided several versions of the Schedule of Expenditures of Federal Awards (SEFA); each with significant changes.

Cause:

The Organization received additional funding due to COVID-19 increasing the complexities of tracking by specific components of the award. A significant portion of the tracking is maintained in manual spreadsheets outside of the accounting system.

Effect:

Total expenses by federal funding source may not be properly classified and reported.

Questioned Costs:

None

Recommendation:

The Organization should implement additional procedures and controls to accurately capture all the expenses under federal awards and preparing the SEFA.

Management's Response:

Oregon Food Bank experienced disruption due to COVID-19 that had impacts on capacity. We are in the process of hiring additional staffing in our Fiscal department to help implement additional controls and procedures.

CORRECTIVE ACTION PLAN
For the year ended June 30, 2020



Oregon Food Bank, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2020.

Contact Person of Oregon Food Bank, Inc.:

Carrie Novak, Director of Finance and Information Technology
7900 NE 33rd Drive, Portland, Oregon 97211

Name and Address of Independent Public Accounting Firm:

McDonald Jacobs, P.C.
520 SW Yamhill, Suite 500, Portland, Oregon 97204

Audit Period:

July 1, 2019 through June 30, 2020.

The findings from the June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding # 2020-001:

Type: Federal Award - Significant Deficiency

Finding:

Two of forty testing selections included differences between the quantity noted on the packing list and the invoice. Controls were not effective to identify differences between packing lists and actual quantities distributed.

Recommendation:

The Organization should develop a process to record variances between original order and actual quantity delivered to agencies. Controls should be established to indicate on the packing list that changes have been recorded.

Corrective Action:

Management agrees with the auditor's recommendation. The Organization will implement additional procedures and controls over distributed quantities.

Anticipated Completion Date:

June 30, 2021

oregonfoodbank.org

**Oregon Food Bank
Headquarters /
Metro Services**
7900 NE 33rd Drive
Portland, OR 97211
503-282-0555

**Oregon Food Bank
Washington County
Services**
1870 NW 173rd Ave
Beaverton, OR 97006
503-439-6510

**Oregon Food Bank
Tillamook County
Services**
PO Box 1344
Tillamook, OR 97141
503-842-3154

**Oregon Food Bank
Southeast Oregon
Services**
773 S Oregon Street
Ontario, OR 97914
541-889-9206

**Columbia Gorge
Food Bank**
3610 Crates Way
The Dalles, OR 97058
541-370-2333



CORRECTIVE ACTION PLAN, CONTINUED
For the year ended June 30, 2020

Finding # 2020-002:

Type: Federal Award - Significant Deficiency

Finding:

Seven of forty packing lists examined either did not include a signature on the packing list by the receiving agency supporting delivery of commodities or contained signatures and dates after being selected for audit testing. Two of the seven exceptions noted were after the organization modified the internal policy to no longer require a signature due to impact of COVID-19.

Recommendation:

The Organization should emphasize to all staff the importance of documenting receipt of delivery by the receiving agency at the time goods are received and retaining signed packing lists. Packing lists should be retained with the invoice copy supporting final amounts.

Corrective Action:

Management agrees with the auditor's recommendation. The Organization will implement additional procedures and controls over tracking of delivered goods.

Anticipated Completion Date:

June 30, 2021

Finding # 2020-003:

Type: Federal Award - Significant Deficiency

Finding:

Three of the nine testing selections included reimbursement requests from subrecipients with expenses dated older than 90 days. There were no documented allowable exceptions to this policy.

Recommendation:

The Organization should review any reimbursement requests to confirm the reimbursement agrees with current internal policies.

Corrective Action:

Management agrees with the auditor's recommendation. The Organization will implement additional procedures and controls to identify and document specific approval for expenses that do not meet policy requirements.

Anticipated Completion Date:

June 30, 2021



CORRECTIVE ACTION PLAN, CONTINUED
For the year ended June 30, 2020

Finding # 2020-004:

Type: Federal Award - Significant Deficiency

Finding:

The formula for ending inventory, beginning inventory, plus receipts, less distributions did not agree with the recorded ending inventory. Controls over month end reconciliations did not detect the difference prior to the audit testing.

Recommendation:

The Organization should incorporate another level of review or reconciliation process over the monthly USDA inventory receipts and distributions to agree with ending inventory each period.

Corrective Action:

Management agrees with the auditor's recommendation. The Organization will implement additional procedures and controls to identify valuation errors.

Anticipated Completion Date:

June 30, 2021

Finding # 2020-005:

Type: Federal Award - Significant Deficiency

Finding:

The Organization provided several versions of the Schedule of Expenditures of Federal Awards (SEFA); each with significant changes.

Recommendation:

The Organization should implement additional procedures and controls to accurately capture all the expenses under federal awards and preparing the SEFA.

Corrective Action:

Management agrees with the auditor's recommendation. The Organization will implement additional procedures and controls to correctly track expenditure of federal funds.

Anticipated Completion Date:

June 30, 2021

