

OREGON FOOD BANK, INC.

Audited Financial Statements

For the Year Ended June 30, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 December 4, 2019 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 Jacoby, P.C.

Portland, Oregon
December 4, 2019

OREGON FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,802,514	\$ 3,289,525
Accounts and other receivables	2,914,058	1,033,873
Pledges receivable	365,160	240,000
Inventory	5,389,965	5,305,853
Prepaid expenses	227,162	114,608
Investments	12,202,756	13,549,819
Property and equipment, net	15,746,807	15,612,705
 TOTAL ASSETS	 \$ 38,648,422	 \$ 39,146,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,477,866	\$ 682,859
Agency pass-through payable	620,758	313,046
Accrued payroll and vacation	922,568	828,259
Advance deposits and deferred revenue	44,293	397,285
Obligations under annuity agreements	90,771	98,862
Total liabilities	3,156,256	2,320,311
Net assets:		
Without donor restrictions:		
Undesignated	12,602,535	11,685,070
Board designated	2,063,668	4,119,400
Net property and equipment	15,746,807	15,612,705
Total without donor restrictions	30,413,010	31,417,175
With donor restrictions	5,079,156	5,408,897
Total net assets	35,492,166	36,826,072
 TOTAL LIABILITIES AND NET ASSETS	 \$ 38,648,422	 \$ 39,146,383

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 13,030,832	\$ 938,360	\$ 13,969,192	\$ 14,804,947
Waterfront Blues Festival, net of expenses of \$2,197,460 for 2018	-	-	-	334,528
Harvest Dinner, net of expenses of \$179,179 for 2019 and \$166,023 for 2018	562,569	-	562,569	623,321
Government support	3,980,581	-	3,980,581	2,474,963
Share contributions	345,111	-	345,111	401,494
Food-to-buy program	3,254,388	-	3,254,388	2,778,941
Donated goods and services	46,794	-	46,794	56,804
Investment income	494,790	-	494,790	792,668
Other income	76,378	-	76,378	96,623
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,475,892	(1,475,892)	-	-
Total support and revenue	23,267,335	(537,532)	22,729,803	22,364,289
Operating Expenses:				
Food programs	16,194,832	-	16,194,832	14,724,503
Education and other programs	1,632,713	-	1,632,713	1,603,641
Advocacy	665,082	-	665,082	735,318
Total program services	18,492,627	-	18,492,627	17,063,462
Supporting services:				
Management and general	1,792,296	-	1,792,296	1,546,345
Fundraising	4,074,013	-	4,074,013	3,950,819
Total operating expenses	24,358,936	-	24,358,936	22,560,626
Change in net assets from operations before in-kind food and pass-through	(1,091,601)	(537,532)	(1,629,133)	(196,337)

Continued

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Change in net assets from operations before in-kind food and pass-through	\$ (1,091,601)	\$ (537,532)	\$ (1,629,133)	\$ (196,337)
In-kind Food and Pass-Through Revenue:				
Government commodities	-	15,288,930	15,288,930	7,668,249
Donated food	-	35,188,374	35,188,374	39,034,513
Government support, pass-through	2,667,083	-	2,667,083	1,558,941
Contributions, pass-through	777,955	-	777,955	412,098
Net assets released from restrictions:				
Satisfaction of purpose restrictions	50,269,513	(50,269,513)	-	-
Total in-kind food and pass-through revenue	53,714,551	207,791	53,922,342	48,673,801
In-kind Food and Pass-Through Expense:				
Value of product distributed - in-kind:				
USDA/TEFAP goods distributed	13,720,993	-	13,720,993	7,491,853
Donated goods distributed	36,452,149	-	36,452,149	39,131,263
Total value of product distributed in-kind	50,173,142	-	50,173,142	46,623,116
Distribution of pass-through	3,453,973	-	3,453,973	1,969,850
Total in-kind food and pass-thru expense	53,627,115	-	53,627,115	48,592,966
Net in-kind food and pass-through activities	87,436	207,791	295,227	80,835
Change in net assets	(1,004,165)	(329,741)	(1,333,906)	(115,502)
Net assets:				
Beginning of year	31,417,175	5,408,897	36,826,072	36,941,574
End of year	\$ 30,413,010	\$ 5,079,156	\$ 35,492,166	\$ 36,826,072

Concluded

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Food Programs	Education and Other Programs	Advocacy	Total Programs	Management and General	Fund-Raising	Special Events	Total
Operating activities:								
Salaries and related expenses	\$ 6,992,235	\$ 1,274,559	\$ 546,875	\$ 8,813,669	\$ 1,502,190	\$ 2,651,268	\$ -	\$ 12,967,127
Purchased contract services	259,153	11,008	6,289	276,450	70,857	90,083	58,132	495,522
Supplies and miscellaneous	316,992	38,808	9,140	364,940	639	74,700	31,682	471,961
Telephone and computer support	224,060	72,448	16,652	313,160	25,386	114,842	-	453,388
Direct mail	-	-	-	-	-	420,837	-	420,837
Postage and publications	30,880	4,377	968	36,225	5,822	229,356	8,283	279,686
Transportation	845,738	-	-	845,738	-	-	-	845,738
Occupancy	629,129	61,416	20,934	711,479	41,869	106,649	-	859,997
Insurance	126,491	6,837	3,419	136,747	6,837	17,093	-	160,677
Equipment and maintenance	269,335	5,572	1,598	276,505	3,195	7,989	59,655	347,344
Conferences, meetings, and travel	194,641	57,588	25,600	277,829	26,245	46,490	12,966	363,530
Dues and fees	51,447	2,995	6,535	60,977	61,528	195,387	8,461	326,353
Depreciation	556,820	47,728	23,863	628,411	47,728	119,319	-	795,458
Food related costs	735,514	-	-	735,514	-	-	-	735,514
Partner support	516,746	49,127	209	566,082	-	-	-	566,082
Network support	773,995	250	3,000	777,245	-	-	-	777,245
Value of product distributed:								
Food-to-buy goods distributed	3,100,701	-	-	3,100,701	-	-	-	3,100,701
Purchased product distributed	570,955	-	-	570,955	-	-	-	570,955
Total operating expenses	16,194,832	1,632,713	665,082	18,492,627	1,792,296	4,074,013	179,179	24,538,115
Value of product distributed - in-kind:								
USDA/TEFAP goods distributed	13,720,993	-	-	13,720,993	-	-	-	13,720,993
Donated goods distributed	36,452,149	-	-	36,452,149	-	-	-	36,452,149
Total value of product distributed	50,173,142	-	-	50,173,142	-	-	-	50,173,142
Pass-through activities:								
Federal	925,934	-	-	925,934	-	-	-	925,934
State	1,681,614	-	-	1,681,614	68,470	-	-	1,750,084
Other pass-through	777,955	-	-	777,955	-	-	-	777,955
Total pass-through activities	3,385,503	-	-	3,385,503	68,470	-	-	3,453,973
Direct costs of special events netted with revenue	69,753,477	1,632,713	665,082	72,051,272	1,860,766	4,074,013	179,179	78,165,230
Total expenses	\$69,753,477	\$ 1,632,713	\$ 665,082	\$ 72,051,272	\$ 1,860,766	\$ 4,074,013	\$ (179,179)	\$77,986,051

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Food Programs	Education and Other Programs	Advocacy	Total Programs	Management and General	Fund-Raising	Special Events	Total
Operating activities:								
Salaries and related expenses	\$ 6,673,563	\$ 1,127,142	\$ 637,470	\$ 8,438,175	\$ 1,143,645	\$ 2,574,178	\$ -	\$ 12,155,998
Purchased contract services	211,535	84,197	1,700	297,432	54,886	53,291	1,291,377	1,696,986
Supplies and miscellaneous	282,963	41,876	1,376	326,215	49,684	59,505	391,456	826,860
Telephone and computer support	197,878	66,778	9,284	273,940	58,157	109,216	-	441,313
Direct mail	-	-	-	-	-	454,085	-	454,085
Postage and publications	34,407	2,530	7,498	44,435	5,394	226,641	10,518	286,988
Transportation	823,507	-	-	823,507	-	-	-	823,507
Occupancy	564,181	65,785	18,646	648,612	37,292	94,657	-	780,561
Insurance	109,882	5,663	2,832	118,377	21,325	14,158	4,097	157,957
Equipment and maintenance	231,035	5,064	1,392	237,491	3,360	11,034	400,323	652,208
Conferences, meetings, and travel	170,617	54,263	24,491	249,371	40,186	47,479	2,775	339,811
Dues and fees	38,587	3,919	7,906	50,412	86,969	192,958	262,937	593,276
Depreciation	530,211	45,447	22,723	598,381	45,447	113,617	-	757,445
Food related costs	651,182	-	-	651,182	-	-	-	651,182
Partner support	382,824	100,977	-	483,801	-	-	-	483,801
Network support	499,109	-	-	499,109	-	-	-	499,109
Value of product distributed:								
Food-to-buy goods distributed	2,663,565	-	-	2,663,565	-	-	-	2,663,565
Purchased product distributed	659,457	-	-	659,457	-	-	-	659,457
Total operating expenses	14,724,503	1,603,641	735,318	17,063,462	1,546,345	3,950,819	2,363,483	24,924,109
Value of product distributed - in-kind:								
USDA/TEFAP goods distributed	7,491,853	-	-	7,491,853	-	-	-	7,491,853
Donated goods distributed	39,131,263	-	-	39,131,263	-	-	-	39,131,263
Total value of product distributed	46,623,116	-	-	46,623,116	-	-	-	46,623,116
Pass-through activities:								
Federal	609,468	-	-	609,468	-	-	-	609,468
State	949,474	-	-	949,474	-	-	-	949,474
Other pass-through	410,908	-	-	410,908	-	-	-	410,908
Total pass-through activities	1,969,850	-	-	1,969,850	-	-	-	1,969,850
Direct costs of special events netted with revenue	63,317,469	1,603,641	735,318	65,656,428	1,546,345	3,950,819	2,363,483	73,517,075
Total expenses	\$63,317,469	\$ 1,603,641	\$ 735,318	\$ 65,656,428	\$ 1,546,345	\$ 3,950,819	\$ (2,363,483)	\$ 71,153,592

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,333,906)	\$ (115,502)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	795,458	757,445
Net realized/unrealized gain on investments	(210,329)	(554,333)
Gain on disposal of equipment	(3,500)	(21,616)
(Increase) decrease in:		
Accounts, pledges, and other receivables	(2,005,345)	1,775,067
Inventory	(84,112)	(154,707)
Prepaid expenses	(112,554)	1,623,719
Increase (decrease) in:		
Accounts payable and accrued expenses	1,197,028	(8,422)
Advance deposits and deferred revenue	(352,992)	(102,496)
Net cash flows from operating activities	(2,110,252)	3,199,155
Cash flows from investing activities:		
Purchase of property and equipment	(929,560)	(529,722)
Proceeds from sale of property and equipment	3,500	21,616
Annuity payments to beneficiaries	(8,091)	(10,886)
Proceeds from investments and certificates of deposit	2,038,085	233,734
Additions to investments and certificates of deposit	(480,693)	(527,412)
Net cash flows from investing activities	623,241	(812,670)
 Net change in cash and cash equivalents	 (1,487,011)	 2,386,485
 Cash and cash equivalents - beginning of year	 3,289,525	 903,040
 Cash and cash equivalents - end of year	 \$ 1,802,514	 \$ 3,289,525

See notes to financial statements.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

I. DESCRIPTION OF THE ORGANIZATION

Oregon Food Bank 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 (OFB or the Organization) 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, 2019

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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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.

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

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period OFB is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time OFB has an established right to the bequest and the proceeds are measurable.

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, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advance Deposits and Deferred Revenue

Deferred revenue includes monies received in advance for events and contract revenue which will be recognized in the period the event occurs and contract services have been provided and/or expenses incurred.

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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other 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.

Donated Assets and Services

OFB received approximately 28.2 million and 31.2 million pounds of food and grocery products from the food industry, other businesses, community organizations and individuals in 2019 and 2018, respectively. Donated goods are reflected as a temporarily restricted contribution when received and are reflected as released from restriction as it is distributed. The product is valued at its estimated wholesale value of \$1.25 per pound at June 30, 2019 and 2018. 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 2019, approximately 37,000 volunteers provided more than 171,000 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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Summarized Financial Information for 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented, except Note 3 on available resources and liquidity.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management of OFB has evaluated subsequent events through December 4, 2019, the date the financial statements were available to be issued and is not aware of any material subsequent events which would require disclosure.

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, 2019

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, 2019:

	Available for General Expenditure	With Donor or Other Restrictions	Board Designated	Total Financial Assets
Cash and cash equivalents	\$ 1,422,979	\$ 379,535	\$ -	\$ 1,802,514
Accounts receivable	2,914,058	-	-	2,914,058
Pledges receivable	365,160	-	-	365,160
Investments	10,139,088	-	2,063,668	12,202,756
Total financial assets	<u>\$ 14,841,285</u>	<u>\$ 379,535</u>	<u>\$ 2,063,668</u>	<u>\$ 17,284,488</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, 2019 and 2018:

	2019	2018
Regional food banks	\$ 311,034	\$ 214,726
Federal, state and county appropriations	2,161,150	624,851
Portland Children's Levy	118,772	98,922
Other	323,102	95,374
Total accounts and other receivables	<u>\$ 2,914,058</u>	<u>\$ 1,033,873</u>

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

5. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give. Management considers all pledges receivables to be fully collectible; therefore, no provision for estimated uncollectible accounts has been made. Pledges receivable at June 30, 2019 are expected to be received 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, 2019 and 2018:

	2019	2018
Donated product	\$ 2,411,122	\$ 3,771,268
USDA Food	2,481,075	913,138
Purchased product	497,768	621,447
Total inventory	\$ 5,389,965	\$ 5,305,853

7. UNEMPLOYMENT DEPOSIT AND SELF-FUNDED UNEMPLOYMENT INSURANCE

Cash and cash equivalents include a certificate of deposit in the amount of \$192,576 and \$171,154 at June 30, 2019 and 2018, 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, 2019

8. INVESTMENTS

Investments are stated at fair value and are summarized as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 65,906	\$ 52,111
Certificates of deposit	1,042,336	2,751,542
Fixed income securities	2,944,242	2,784,385
Equity securities	5,971,941	5,825,639
Designated investments for annuity agreements (Note 10)	114,663	116,742
Beneficial interest in assets held by OCF (Note 13)	<u>2,063,668</u>	<u>2,019,400</u>
Total investments	<u>\$ 12,202,756</u>	<u>\$ 13,549,819</u>

Certificates of deposit at June 30, 2019 earn interest at rates ranging from 1.65% to 2.50% and have maturity dates through October 2020. Certificates of deposit at June 30, 2018, earn interest at rates ranging from 1.05% to 2.31% with maturities through January 2020.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 3,289,142	\$ 3,289,142
Buildings	15,958,660	15,528,676
Office furniture and equipment	327,879	327,879
Computer equipment and software	995,628	962,876
Warehouse equipment	1,335,229	1,210,432
Vehicles	3,556,317	3,219,921
Artwork	13,800	13,800
Work in progress	<u>72,415</u>	<u>66,784</u>
Total property and equipment	25,549,070	24,619,510
Accumulated depreciation	<u>(9,802,263)</u>	<u>(9,006,805)</u>
Property and equipment, net	<u>\$ 15,746,807</u>	<u>\$ 15,612,705</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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 \$114,663 and \$116,742 at June 30, 2019 and 2018, 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 \$90,771 and \$98,862 at June 30, 2019 and 2018, 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, Oregon, through September 2020, monthly rent of \$2,415
- Office equipment, through July 2021, monthly rent of \$2,600
- Fork lifts, month-to-month term, monthly rent of \$8,400

Total rent expense under these leases approximated \$222,600 and \$198,700 for the years ended June 30, 2019 and 2018, respectively.

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

Year ending June 30, 2020	\$ 112,400
2021	86,900
Total	<u>\$ 199,300</u>

OREGON FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

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 the following at June 30, 2019 and 2018:

	2019	2018
Quasi-endowment - OCF	\$ 2,063,668	\$ 2,019,400
Strategic plan	-	2,100,000
Total Board designated net assets	\$ 2,063,668	\$ 4,119,400

Strategic plan

During 2019, the Organization concluded a 5-year strategic planning cycle for which funds had previously been designated to support plan initiatives.

Quasi-Endowment

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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

13. BOARD DESIGNATED NET ASSETS, Continued

Quasi-Endowment, Continued

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 \$85,862 and \$83,318 for the years ended June 30, 2019 and 2018, respectively.

Changes in the Fund for the years ended June 30, 2019 and 2018, respectively, are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 2,019,400	\$ 1,775,871
Contributions	-	160,500
Investment income, net of expenses	130,130	166,347
Less transfer to operations	<u>(85,862)</u>	<u>(83,318)</u>
Balance at year end	<u>\$ 2,063,668</u>	<u>\$ 2,019,400</u>

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Food Distribution:		
Donated product	\$ 2,411,122	\$ 3,771,268
USDA food	2,481,075	913,138
Other program restrictions	<u>186,959</u>	<u>724,491</u>
Total net assets with donor restrictions	<u>\$ 5,079,156</u>	<u>\$ 5,408,897</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

15. CONTRIBUTION REVENUE

Contribution revenue consists of the following for the years ended June 30, 2019 and 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</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	<u>106,942</u>	<u>975</u>	<u>107,917</u>
	13,030,832	938,360	13,969,192
Pass-through contributions	<u>777,955</u>	-	<u>777,955</u>
Total contributions	<u>\$ 13,808,787</u>	<u>\$ 938,360</u>	<u>\$ 14,747,147</u>
June 30, 2018			
Individuals	\$ 11,277,165	\$ 302,354	\$ 11,579,519
Foundations	261,073	255,000	516,073
Corporations	2,083,801	519,944	2,603,745
Other organizations	<u>94,110</u>	<u>11,500</u>	<u>105,610</u>
	13,716,149	1,088,798	14,804,947
Pass-through contributions	<u>412,098</u>	-	<u>412,098</u>
Total contributions	<u>\$ 14,128,247</u>	<u>\$ 1,088,798</u>	<u>\$ 15,217,045</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, 2019 and 2018, contributions were made to the plan and charged to operations totaled approximately \$463,500 and \$426,100, respectively.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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, 2019 and 2018. 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, 2019 and 2018, Marion -Polk Food Share, whose executive director is also an OFB Board member, received Network Support Grants in the amounts of approximately \$60,000 and \$50,000, respectively.

During the year ended June 30, 2018, Food for Lane County, whose executive director is also an OFB Board member, received Network Support Grants in the amounts of approximately \$25,000.

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, 2019, there was approximately \$1,589,000 in uninsured balances (\$3,182,000 at June 30, 2018).

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

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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, 2019 and 2018 are as follows:

	Total	Level 1	Level 2	Level 3
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	-	-
Beneficial interest in assets held by OCF	2,063,668	-	-	2,063,668
Equity and fixed income securities designated for annuity agreement:	114,663	114,663	-	-
Liabilities:				
Obligations under annuity agreements	(90,771)	-	(90,771)	-
June 30, 2018				
Assets:				
Investments - Mutual funds				
Fixed income	\$ 2,784,385	\$ 2,784,385	\$ -	\$ -
Equity funds - domestic	3,909,390	3,909,390	-	-
Equity funds - international	1,916,249	1,916,249	-	-
Beneficial interest in assets held by OCF	2,019,400	-	-	2,019,400
Equity and fixed income securities designated for annuity agreement:	116,742	116,742	-	-
Liabilities:				
Obligations under annuity agreements	(98,862)	-	(98,862)	-

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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:

	2019	2018
Balance at beginning of year	\$ 2,019,400	\$ 1,775,871
Contributions	-	160,500
Earnings, net of fees	649	1,080
Change in value	129,481	165,267
Transfer to operations	(85,862)	(83,318)
Balance at end of year	\$ 2,063,668	\$ 2,019,400

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

20. WATERFRONT BLUES FESTIVAL EVENT

After 30 years, Oregon Food Bank stepped down as owner/operator of the Safeway Waterfront Blues Festival following the July 2017 event. Ownership has been transferred to Waterfront Blues Productions. The Organization no longer reports direct revenues or expenses for this event after June 30, 2018. Oregon Food Bank is extremely grateful to the community and its partners who have worked alongside OFB for 30 years to produce this remarkable event.

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, 2019



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, 2019, 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 December 4, 2019.

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) 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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2019-001 that we consider to be a significant deficiency.

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 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*.

Oregon Food Bank, Inc.'s Response to Findings

Oregon Food Bank, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oregon Food Bank, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Jacobz, P.C.

Portland, Oregon
December 4, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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, 2019. 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, 2019.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2019, and have issued our report thereon dated December 4, 2019, 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
December 4, 2019

OREGON FOOD BANK, INC.
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
For the year ended June 30, 2019

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	\$ 1,831,164	\$ 467,879
Emergency Food Assistance Program - Food Commodities*	150326	10.569	13,431,055	13,431,055
Commodity Supplemental Food Program - Administration	150326	10.565	174,914	141,018
Commodity Supplemental Food Program - Food Commodities*	150326	10.565	<u>289,938</u>	<u>289,938</u>
Total Food Assistance Cluster			15,727,071	14,329,890
Emergency Food Assistance Program - Trade Mitigation	150326	10.178	320,000	113,359
USDA Beginning Farmer	AOI72501X443G035	10.443	28,900	-
USDA National Institute of Food & Agriculture	2018-70017-28574	10.311	83,856	-
Supplemental Nutrition Assistance Program - Able Bodied Adults without Dependents	150326	10.561	<u>129,474</u>	<u>32,183</u>
Total U.S. Department of Agriculture			<u>16,289,301</u>	<u>14,475,432</u>
U.S Department of Homeland Security				
EFSP-Bulk Purchase Administration		97.024	3,684	-
<i>Pass-through from Multnomah County</i>				
EFSP-Bulk Purchase		97.024	95,749	95,749
<i>Pass-through from Clackamas County</i>				
EFSP-Bulk Purchase		97.024	32,259	32,259
<i>Pass-through from Washington County</i>				
EFSP-Bulk Purchase		97.024	<u>52,514</u>	<u>52,514</u>
Total U.S. Department of Homeland Security			<u>184,206</u>	<u>180,522</u>
Total expenditures of federal awards			<u>\$ 16,473,507</u>	<u>\$ 14,655,954</u>

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

See notes to schedule of expenditures of federal awards.

OREGON FOOD BANK, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

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, 2019. 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	\$ 16,473,507
Non-federal expenditures	<u>61,512,544</u>
Total expenses per statement of activities	\$ <u>77,986,051</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, 2019, Oregon Food Bank, Inc. had an inventory of USDA food commodities of \$2,481,075.

4. OTHER DISCLOSURES

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, 2019.

OREGON FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2019

NONE: There were no prior year audit findings.

OREGON FOOD BANK, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2019

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)?	Yes, 2019-001
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)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

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

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2019

Section 1 - Summary of Auditor's Results, Continued

Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section 2 - Financial Statement Findings

Finding # 2019-001:

Type: Significant Deficiency over inventory valuation

Requirement:

The Organization should record USDA commodity inventory based upon the valuations provided by the USDA.

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.

Cause:

The Organization relies on manual data input to capture the dollar per pound value, and the Organization does not have a mitigating control to identify errors in this input.

Effect:

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

Questioned Costs:

None

Recommendation:

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

Management's Response:

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

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2019

Section 3 - Federal Award Findings and Questioned Costs

No matters reported.