

JOSEPHINE COUNTY FOOD BANK INC.
(formerly Friends of Josephine County Food Bank)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2019

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TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities.....	6
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9

MICHAEL R. RICE – Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Josephine County Food Bank Inc.
3658 Upper River Road
Grants Pass, Oregon 97528

I have audited the accompanying financial statements of Josephine County Food Bank Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

MICHAEL R. RICE – Certified Public Accountant

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Josephine County 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.



Michael Rice CPA
September 23, 2019

JOSEPHINE COUNTY FOOD BANK INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

ASSETS	<u>2019</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 146,827
Accounts Receivable - Agencies	6,543
Marketable Securities	75,438
Prepaid Expenses	9,623
Food Inventory for Distribution	<u>61,988</u>
Total Current Assets	300,419
<u>Fixed Assets</u>	
Buildings and Building Improvements	1,119,227
Furniture and Equipment	29,822
Vehicles	<u>48,435</u>
Total Fixed Assets	1,197,484
Accumulated Depreciation	<u>(117,325)</u>
Net Fixed Assets	1,080,159
<u>Other Assets</u>	
Beneficial Interest in Assets Held by Community Foundation	<u>47,592</u>
Total Other Assets	47,592
TOTAL ASSETS	<u>\$ 1,428,170</u>
 LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 1,108
Payroll Liabilities	<u>9,918</u>
Total Current Liabilities	11,026
<u>Net Assets</u>	
Net Assets Without Donor Restrictions	269,112
Net Assets With Donor Restrictions	<u>1,148,032</u>
Total Net Assets	1,417,144
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,428,170</u>

JOSEPHINE COUNTY FOOD BANK INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
<u>Revenues and Support</u>				
Grants	54,000	18,532	0	72,532
Agency Fees – Program Service	239,280	0	0	239,280
Donations – General	264,519	0	0	264,519
Donations – In-Kind Food	1,125,794	0	0	1,125,794
Special Events	<u>26,743</u>	<u>0</u>	<u>0</u>	<u>26,743</u>
Total Revenues and Support	1,710,336	18,532	0	1,728,868
<u>Other Revenue</u>				
Investment	7,629	0	0	7,629
Miscellaneous	<u>550</u>	<u>0</u>	<u>0</u>	<u>550</u>
Total Other Revenue	8,179	0	0	8,179
 Total Revenues, Support and Other	 1,718,515	 18,532	 0	 1,737,047
Expenses				
Program Service	1,686,800	0	0	1,686,800
Management and General	<u>101,633</u>	<u>0</u>	<u>0</u>	<u>101,633</u>
Total Expenses	1,788,433	0	0	1,788,433
 Increase/(Decrease) in Net Assets	 <u>\$ (69,918)</u>	 <u>\$ 18,532</u>	 <u>\$ 0</u>	 <u>\$ (51,386)</u>
Beginning Balance Net Assets	339,030	1,099,500	30,000	1,468,530
Ending Balance Net Assets	269,112	1,118,032	30,000	1,417,144

JOSEPHINE COUNTY FOOD BANK INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	<u>Program Service</u>	<u>Management & General</u>	<u>Total</u>
Grant Support	57,459	0	57,459
Food Purchase	61,489	0	61,489
Food In-Kind	1,183,107	0	1,183,107
Volunteer Support	2,051	0	2,051
Advertising	5,345	0	5,345
Outreach and Events	5,774	0	5,774
Supplies – Garden and Warehouse	7,660	0	7,660
Facilities and Equipment	13,865	0	13,865
Rent, Utilities and Occupancy	40,533	0	40,533
Vehicles	13,441	0	13,441
Office and Business	0	46,753	46,753
Payroll and Payroll Costs	182,255	54,880	237,135
Employee Benefits	63,767	0	63,767
Depreciation	50,054	0	50,054
Total Functional Expenses	<u>\$ 1,686,800</u>	<u>\$ 101,633</u>	<u>\$ 1,788,433</u>

JOSEPHINE COUNTY FOOD BANK INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2019

	2019
<u>Cash Flows from Operating Activities</u>	
Increase (Decrease) in Net Assets	\$ (51,386)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	50,054
Change in Value of Beneficial Interest in Assets Held by OCF	(2,809)
Change in Value of Marketable Securities	(24,616)
(Increase) Decrease in:	
Accounts Receivable	5,891
Prepaid Expenses	(9,623)
Food Inventory	57,313
Increase (Decrease) in:	
Current Liabilities	(687)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	24,137
<u>Cash Flows from Investing Activities</u>	
Net Purchase of Fixed Assets	(11,018)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(11,018)
Net Increase (Decrease) in Cash and Cash Equivalents	13,119
Cash - Beginning of Period	133,708
Cash - Ending of Period	\$ 146,827

JOSEPHINE COUNTY FOOD BANK INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Josephine County Food Bank Inc. (formerly Friends of Josephine County Food Bank) was organized 2015, as a non-profit corporation under Internal Revenue Code Section 501(c)(3) and under the laws of the State of Oregon to manage the Josephine County food bank. The food bank collects, grows and distributes food to partner agencies in the community. Revenues are earned through donations from the public, various grants, and payments received from partner agencies.

Basis of Accounting

The financial statements of Josephine County Food Bank Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities, and recognizes revenues when earned and expenses when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Estimates

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

JOSEPHINE COUNTY FOOD BANK INC.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents include demand deposits, money market accounts, and certificates of deposit with maturities of three months or less.

Contributions and In-Kind Donations

Donations of assets are recorded as support at their estimated fair market value at the date of donation. Assets whose estimated fair value cannot be reasonably determined are not recorded. Recorded donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Josephine County Food Bank Inc. Volunteers also provided various services throughout the year that may not be recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met, or the valuation of such services could not be reasonably determined.

Donated Commodities received through the USDA and the community are recorded as revenue at their commodity values using the industry standard rates published by the Oregon Food Bank.

Food received from the Oregon Food Bank and passed through to local agencies are treated as agency transactions and not recorded in the books as contribution revenue.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the year ended June 30, 2019 was \$5,345.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocation by various statistical methods.

JOSEPHINE COUNTY FOOD BANK INC.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax-Exempt Status

Josephine County Food Bank Inc. qualifies as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been classified as a public charity under Section 509(a)(1) and Section 170(b)(1)(A)(iv), and contributions to the organization qualify as charitable contribution deductions under Section 170.

Reclassifications

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

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

NOTE 2 – ACCOUNTS RECEIVABLE

Most of Josephine County Food Bank Inc.'s receivables are for payments from partner agencies for food. As of June 30, 2016, Josephine County Food Bank Inc.'s receivables were \$6,543. Receivables are regularly reviewed by management and an allowance for doubtful accounts has been estimated. Allowance for doubtful accounts for the years ended June 30, 2019 was \$0.

NOTE 3 – CONCENTRATIONS & CONTINGENCIES

Concentration in Revenue

Josephine County Food Bank Inc. relies heavily on donations from the general public either directly or indirectly through other agencies. Future donations are impossible to predict.

NOTE 4 – UNCERTAIN TAX PROVISIONS

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments

JOSEPHINE COUNTY FOOD BANK INC.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended June 30, 2019

NOTE 4 – UNCERTAIN TAX PROVISIONS (continued)

that would result in a material adverse effect on the Organization’s financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2016.

NOTE 5 – LAND LEASE

Josephine County Food Bank has entered into a lease, with the city of Grants Pass, for the land that holds their farm, food distribution center and offices. The term of the lease is through July 2041. Lease rate is \$7,644 per year through 2021, and \$12,780 per year thereafter.

NOTE 6 – USE AGREEMENT – FOOD DISTRIBUTION FACILITY

In April 2017, United Community Action Network (UCAN) transferred rights, title and leasehold interest in the Food Bank Distribution Facility at 3658 Upper River Road to Josephine County Food Bank. The facility was financed through a Block Grant the City of Grants Pass received from the Oregon Business Development Department. Use of the facility is restricted through October 2020 to the “original intended use”. The “original intended use” is to provide a new Food Bank Distribution Facility that will receive, sort, re-package, store, and distribute food items to eligible recipients in Josephine County.

NOTE 7 – FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs other than Level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted process that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 – Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

JOSEPHINE COUNTY FOOD BANK INC.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended June 30, 2019

NOTE 7 – FAIR VALUE (Continued)

The carrying values of cash and cash equivalents, patient accounts receivable, grants and contracts receivable, other receivables, accounts payable, accrued expenses, and deferred revenue, approximates their fair value due to the short maturity of such instruments.

The beneficial interest in assets held by the Oregon Community Foundation has been valued, as a practical expedient, at the fair value of the FCJFB's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair value of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

As a result of these factors, the assets held by the Oregon Community Foundation have been categorized as a Level 3 financial instrument. Marketable securities are Level 1. The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis:

Level 1:	\$75,438
Level 2:	\$0
Level 3:	<u>\$47,592</u>
Total:	\$123,030

NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The organization has deposited funds with the Oregon Community Foundation (OCF). The OCF has variance power over the assets and invests the funds for the benefit of the organization. Access to the funds is limited per the agreement with the OCF. Annually the OCF notifies the organization of the amount available for distribution. The funds are held in a wide variety of investments and the fair market value is periodically reported by the OCF. The amount available for distribution at June 30, 2019 was \$1,843.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2019, the date the financial statements were available for distribution.