

**JOSEPHINE COUNTY FOOD BANK INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**  
**WITH INDEPENDENT AUDITOR'S REPORT**



**JOSEPHINE COUNTY FOOD BANK INC.**  
**Financial Statements**  
*For the Year Ended June 30, 2022*

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**INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Josephine County Food Bank Inc.  
Grants Pass, OR 97526

### Opinion

I have audited the accompanying financial statements of Josephine County Food Bank Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, statement of functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Josephine County Food Bank Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Josephine County Food Bank Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.





In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Josephine County Food Bank Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Josephine County Food Bank Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

### **Report on Summarized Comparative Information**

The financial statements of Josephine County Food Bank Inc. as of June 30, 2021, were audited by other auditors whose report was dated December 20, 2021, expressed an unmodified opinion on those statements.

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Richard W. Brewster  
Certified Public Accountant

January 12, 2023



## **FINANCIAL STATEMENTS**



**JOSEPHINE COUNTY FOOD BANK INC.**  
**Statement of Financial Position**  
*June 30, 2022*  
*With Summarized Comparative Totals as of June 30, 2021*

	<u>2022</u>	(Memorandum only) <u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 657,087	\$ 722,308
Restricted cash and cash equivalents	26,500	-
Accounts receivable	-	35,620
Grants receivable	-	13,100
Prepaid expense	14,139	9,609
Food inventory	53,495	50,822
Food inventory receivable	3,398	4,272
<b>Total current assets</b>	<u>754,619</u>	<u>835,731</u>
Property and equipment		
Buildings and improvements	1,119,532	1,119,532
Equipment and furnishings	101,390	73,941
Vehicles	72,396	72,396
Accumulated depreciation	<u>(286,091)</u>	<u>(226,291)</u>
Net property and equipment	<u>1,007,227</u>	<u>1,039,578</u>
Other assets		
Marketable securities	495,164	348,795
Interest in assets held by Oregon Community Foundation	<u>61,238</u>	<u>64,847</u>
Total other assets	<u>556,402</u>	<u>413,642</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,318,248</u>	<u>\$ 2,288,951</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 4,587	\$ 7,942
Payroll and taxes payable	5,319	3,357
PTO liability	9,323	6,512
Deferred revenue	<u>25,000</u>	<u>-</u>
Total current liabilities	<u>44,229</u>	<u>17,811</u>
<b>TOTAL LIABILITIES</b>	<u>44,229</u>	<u>17,811</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,193,019	1,191,641
With donor restrictions	<u>1,081,000</u>	<u>1,079,500</u>
Total net assets	<u>2,274,019</u>	<u>2,271,141</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,318,248</u>	<u>\$ 2,288,952</u>

See notes to financial statements.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Statement of Activities**  
*For the Year Ended June 30, 2022*  
*With Summarized Comparative Totals as of June 30, 2021*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>(Memorandum only) 2021 Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Grants	\$ -	\$ 17,000	\$ 17,000	\$ 115,063
Agency fees - program service	179,851		179,851	266,100
Donations - general	489,329	1,500	490,829	568,487
Donations - in-kind food	48,703		48,703	68,259
Special events	60,177		60,177	73,636
Dividend and Interest income	12,266		12,266	5,008
Realized gain/(loss)	(5,938)		(5,938)	5,254
Net unrealized gain/(loss)	(62,481)		(62,481)	32,708
SBA PPP loan forgiveness			-	66,800
Miscellaneous income	614		614	(3,544)
	<u>722,521</u>	<u>18,500</u>	<u>741,021</u>	<u>1,197,771</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>17,000</u>	<u>(17,000)</u>		
<b>Total public support, revenues and other support</b>	<u>739,521</u>	<u>1,500</u>	<u>741,021</u>	<u>1,197,771</u>
<b>EXPENSES</b>				
Program services	605,204		605,204	644,319
Support services:				
Management and general	85,550		85,550	98,669
Fundraising	47,389		47,389	10,697
<b>TOTAL EXPENSES</b>	<u>738,143</u>	<u>-</u>	<u>738,143</u>	<u>753,685</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,378</u>	<u>1,500</u>	<u>2,878</u>	<u>444,086</u>
<b>NET ASSETS BEGINNING OF YEAR</b>	1,221,641	1,049,500	2,271,141	1,827,055
<b>Prior period adjustment</b>	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>	
<b>NET ASSETS BEGINNING OF YEAR (as restated)</b>	<u>1,191,641</u>	<u>1,079,500</u>	<u>2,271,141</u>	<u>1,827,055</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 1,193,019</u>	<u>\$ 1,081,000</u>	<u>\$ 2,274,019</u>	<u>\$ 2,271,141</u>

See notes to financial statements.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Statement of Functional Expense**  
*For the Year Ended June 30, 2022*  
*With Summarized Comparative Totals as of June 30, 2021*

	<u>Program Services</u>	<u>Management And General</u>	<u>Fund Raising</u>	<u>2022 Total</u>	<u>(Memorandum only) 2021 Total</u>
<b>Employee Compensation</b>					
Salaries	\$ 240,554	\$ 39,826	\$ 30,636	\$ 311,016	\$ 271,832
Employee benefits	41,358	6,983	5,371	53,712	54,346
Payroll taxes	26,029	4,395	3,380	33,804	30,651
Total employee compensation	<u>307,941</u>	<u>51,204</u>	<u>39,387</u>	<u>398,532</u>	<u>356,829</u>
<b>Other Expenses</b>					
Advertising	22,490	5,623	6,556	34,669	30,280
Facilities and equipment	6,845	1,297	1,230	9,372	25,123
Rent, utilities, and occupancy	35,372	8,843		44,215	43,748
Food purchase	79,248			79,248	147,671
Office and business	17,030	4,258		21,288	37,046
Other expense	114	28		142	-
Outreach and events	8,276	2,069		10,345	17,812
Professional fees	17,450			17,450	-
Supplies - garden and warehouse	18,204	4,551		22,755	17,322
Vehicles	16,480	4,120		20,600	18,289
Volunteer support	1,725		216	1,941	2,316
Grant Support	10,480	2,620		13,100	-
Insurance	3,749	937		4,686	-
Total other expenses	<u>237,463</u>	<u>34,346</u>	<u>8,002</u>	<u>279,811</u>	<u>339,607</u>
<b>Total expenses before depreciation</b>	<u>545,404</u>	<u>85,550</u>	<u>47,389</u>	<u>678,343</u>	<u>696,436</u>
Depreciation	<u>59,800</u>		-	<u>59,800</u>	<u>57,249</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 605,204</u>	<u>\$ 85,550</u>	<u>\$ 47,389</u>	<u>\$ 738,143</u>	<u>\$ 753,685</u>
Percentage of total	<u>82.0%</u>	<u>11.6%</u>	<u>6.4%</u>	<u>100.0%</u>	<u>100.0%</u>

See notes to financial statements.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Statement of Cash Flows**  
*For the Year Ended June 30, 2022*  
*With Summarized Comparative Totals as of June 30, 2021*

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,878	\$ 444,086
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	59,800	57,249
PPP SBA loan forgiveness program		(66,800)
Changes in		
Grants and accounts receivable	48,720	(9,458)
Prepaid expenses	(4,530)	3,902
Food Inventory	(1,799)	49,118
Accounts payable	(3,355)	(1,230)
Accrued payroll and payroll taxes	1,962	4,765
Deferred revenue	25,000	
	<u>128,676</u>	<u>481,632</u>
<b>Net cash from (used in) operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(27,449)	(22,956)
Cash used to purchase securities	(143,557)	(273,739)
Endowment fund	3,609	(17,500)
	<u>(167,397)</u>	<u>(314,195)</u>
<b>Net cash from (used in) investing activities</b>		
Net change in cash, cash equivalents, and restricted cash	(38,721)	167,437
Cash, cash equivalents, and restricted cash - beginning of year	722,308	554,871
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 683,587</u>	<u>\$ 722,308</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income tax paid	\$ -	\$ 523

There were no material noncash investing and financing activities.

See notes to financial statements.



**NOTES TO FINANCIAL STATEMENTS**



**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES**

Josephine County Food Bank Inc. was incorporated in the State of Oregon in 2015 to operate as a charitable nonprofit organization dedicated to the management of the Josephine County food bank. The mission of the Organization is to collect food and distribute it to both individuals and other organizations in the community.

**BASIS OF ACCOUNTING AND PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP") and accordingly, reflect all significant receivables, payables, and other liabilities, and recognizes revenues when earned and expenses when incurred. US GAAP requires the Council to report information regarding its financial position and activities according to the following net asset classifications:

**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 Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Measure of operations** – the statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Josephine County Food Bank's programmatic engagements. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

**COMPARATIVE FINANCIAL INFORMATION**

The accompanying financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

We consider all cash and highly liquid financial investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

**CONCENTRATIONS OF CREDIT RISK**

The Josephine County Food Bank maintains cash balances at multiple financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. On June 30, 2022, \$105,587, the Josephine County Food Bank's cash balances were considered uninsured.

**ACCOUNTS RECEIVABLE AND GRANTS RECEIVABLE**

Accounts receivable mostly consist of payments from partner agencies for food. Management believes that all receivables are fully collectible as of December 31, 2022.

**FURNITURE, FIXTURES AND EQUIPMENT**

The Organization capitalizes the cost of acquisitions of buildings, vehicles, and equipment over \$1,000. Buildings, vehicles, and equipment are depreciated when placed in service using the straight-line method over estimated useful lives of five to thirty-nine years. Leasehold improvements are depreciated using the straight-line method over the shorter of the estimated useful life or the lease term. Fixed assets are valued at cost if purchased or fair market value if contributed. Depreciation expense for the year ended June 30, 2022, totaled \$ 59,800.

**INVENTORY**

Inventories consisting of primarily donated perishable and nonperishable food and are reported at the lower of cost or fair market value. Donated inventories are recorded as revenue at their commodity values using the industry standard rates published by the Oregon Food Bank.

**INVESTMENTS**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses less external and direct internal investment expenses.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ENDOWMENT FUND**

Donations to the Endowment Fund are permanently held assets. Endowment Fund investment goals are long-term growth and preservation of purchasing power by achieving returns in excess of the rate of inflation while minimizing risk. Earnings from endowment fund investments are intended to be used by the Organization to more completely fulfill its mission, developing its programs beyond what is possible through its annual operating funds.

**ACCRUED PAID TIME OFF**

For the year ended June 30, 2022, the Organization has accrued a liability for paid time off (PTO) for all full-time employees and for part time employees working 20 hours or more per week. Up to 50% of unused PTO may be accumulated and carried into the next fiscal year. At June 30, 2022 and 2021, the Organization had a liability for paid time off of \$4,662 and \$6,512 respectively.

**REVENUE RECOGNITION**

Revenue consists primarily of contributions from the general public of both cash and commodities (food), agency fees for food provided to other similar local organizations, and grants. In addition, the Organization records special event revenue equal to the fair value of direct benefits to donors and contribution revenue for the difference.

**CONTRIBUTIONS AND IN-KIND DONATIONS**

Donations of assets are recorded as support at their estimated fair market value at the date of donation. Contributions and public support received by the Organization are recorded as unrestricted or restricted revenue or support, depending on the existence or nature of any restrictions. Contributions with restrictions are reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the grant is recognized. Other restricted contributions are reported as an increase in restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified as increases to unrestricted net assets.

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets, or if the provided services require specialized skills that would otherwise be purchased by the Organization. Volunteers also provided various services throughout the year that did not meet recognition criteria under generally accepted accounting principles.

Donated commodities are recorded as revenue at the commodity value using the industry standard rate 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 are not recorded as contribution revenue.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADVERTISING**

Advertising costs are expensed as incurred. The Organization's advertising costs for the year ended June 30, 2022, and 2021 were \$34,669 and \$30,280 respectively.

**PROMISES TO GIVE**

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period The Josephine County Food Bank 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 The Josephine County Food Bank has an established right to the bequest and the proceeds are measurable.

**INCOME TAXES**

The Josephine County Food Bank is organized as an Oregon nonprofit corporation exempt from income tax under Section 501(c)(3), of the Internal Revenue Code and comparable state law. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis In the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are based upon use of facility square footage or completed payroll time studies. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification which include wages and payroll taxes. All other expenses that are common to several functions are allocated based on time and effort.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**EMERGING ACCOUNTING STANDARDS**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for revenue recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or straight-line basis over the term of the lease, retrospectively. A lessee is also required a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Josephine County Food Bank has not yet evaluated the impact this standard will have on the financial statements.

**2. LIQUIDITY AND AVAILABILITY OF FUNDS**

The Organization manages daily liquidity and cash requirements using internal cash checking accounts and an investment account with a brokerage firm. Resources available to fund general expenditures within one year at June 30, 2022 are as follows:

Cash and cash equivalents	\$ 657,087
Marketable securities	<u>495,164</u>
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 1,152,251</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The amounts presented above, have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing purposes.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts due from contributors, grants, and additional food banks within the community.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**4. FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Investments in marketable securities consist of equity investments.

The Organization has adopted ASC 820-10 which establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs.

Level 3: Significant unobservable inputs.

The interest in assets held by the OR Community Foundation at the fair value of the Organization's share of the OR Community 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 investments of the Foundation includes investments where the prices are not readily available (Level 3).

The following table provides further details on the fair value of measurements as of June 30, 2022:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities	\$ 495,164	\$ -	\$ -	\$ 495,164
Beneficial interest in OCF			61,238	61,238
Total investments at fair value	\$ 495,164	\$ -	\$ 61,238	\$ 556,402



**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**5. PROPERTY AND EQUIPMENT**

A summary of property, furniture and equipment at June 30, 2022 is as follows:

	<u>7/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2023</u>
Buildings and improvements	\$ 1,119,532	\$ -	\$ -	\$ 1,119,532
Furniture and equipment	73,941	27,449		101,390
Vehicles	<u>72,396</u>			<u>72,396</u>
Sub-total	1,265,869	27,449	-	1,293,318
Accumulated depreciation	<u>(226,291)</u>	<u>(59,800)</u>		<u>(286,091)</u>
Net property and equipment	<u>\$ 1,039,578</u>	<u>\$ (32,351)</u>	<u>\$ -</u>	<u>\$ 1,007,227</u>

Property and equipment are depreciated using the straight-line method over estimated useful lives of five to forty years. Depreciation expense for the year ended June 30, 2022, was \$59,800.

**6. ENDOWMENT FUND**

The Organization's endowment contains one fund established to invest in the future ongoing support of the Organization. Its endowment contains Board designated funds. As required by current accounting standards, net assets associated with endowment funds, including funds designated by the Endowment Board of Trustees to function as endowments (Trustee Designated Endowment), are classified and reported based on the existence or absence of donor-imposed restrictions. All temporarily donor restricted endowment net assets of the endowment fund are subject to a time restriction under provision of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which has been enacted by the State of Oregon.

This Organization maintains the following endowment:

Quasi-Endowment

The Organization established a quasi-endowment fund with the Oregon Community Foundation to invest in the future ongoing support of the Organization. Since quasi endowments are established by the Organization rather than by an external source, the principal may be expended as stipulated by the Board.

**JOSEPHINE COUNTY FOOD BANK INC.**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2022*

**SPENDING POLICY**

Periodic distributions from Endowment Funds are made at the approximate spending rate of 3% to 5% annually. The spending rate is based on the assumption of long-term investment returns greater than 5%. The Trustees may choose to not appropriate spendable funds depending on the needs of the Organization. Amounts not appropriated are reinvested and identified as temporarily restricted. Expenditures are approved by the Board of Trustees in consultation with management of the Organization.

The earnings on the endowment, when appropriated for expenditure, are expended in accordance with any donor stipulations for use of the endowment earnings. The Board of Trustees expects to appropriate money annually for the purpose of reaching low-income households in need of food.

**INTERPRETATION OF RELEVANT LAW**

The Board of Trustees of the Endowment Fund has interpreted the Oregon enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the permanent preservation of the historic dollar value of gifts to the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts to the endowment as permanently restricted net assets.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted until the amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate increases in value of donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. The general economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. The other resources of the Organization
7. The investment policies of the Organization

**RETURN OBJECTIVES AND RISK PARAMETERS**

The investment policy for the endowment is to preserve the value of the assets with potential for both capital appreciation and current income. To preserve the value of the assets the endowments will not pay out more on average than the average return earned on the investment portfolio. When investing in capital markets, the Organization recognizes and acknowledges that some risk is assumed in order to achieve long-term investment objectives, and there are uncertainties and complexities associated with these markets. The use of a dynamic asset allocation strategy is intended to mitigate and balance the risk. The allocation is based upon an investment horizon of greater than 10 years (or in perpetuity) and interim fluctuations should be viewed with appropriate perspective.

**JOSEPHINE COUNTY FOOD BANK INC.**  
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**6. ENDOWMENT FUND (Continued)**

**STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES**

The Organization believes that long-term investment performance, in large part, is primarily a function of asset class mix. Diversification within the full spectrum of traditional sectors of domestic and foreign equity and fixed income markets, as well as other assets. The Organization believes this balance provides the stability to preserve the principal value and the opportunity for real long-term capital growth without excessive risk.

**FUNDS WITH DEFICIENCIES**

It is possible that the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donors or UPMIFA requires the Organization to retain as a fund of perpetual duration. There are no deficiencies in the endowment as of June 30, 2022.

**CHANGES IN ENDOWMENT NET ASSETS AS OF JUNE 30, 2022**

The following table further details the changes in the endowment fund for the fiscal year ending June 30, 2022:

	<u>Oregon Community Foundation</u>
Beginning balance	\$ 64,847
Interest income	405
Investment fees	(534)
Unrealized gain/(loss)	1,280
Realized gain/(loss)	(4,760)
Total investments at fair value	<u>\$ 61,238</u>

**ENDOWMENT NET ASSET COMPOSITION BY DONOR RESTRICTION AS OF JUNE 30, 2022**

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total Endowment Funds</u>
Endowment net assets, beginning of year	\$ 34,847	\$ 30,000	\$ 64,847
Investment return			
Investment income	405		405
Net market gain/(loss)	(3,480)		(3,480)
Investment fees	(534)		(534)
Investment return released from restriction	-	-	-
Endowment net assets, end of year	<u>\$ 31,238</u>	<u>\$ 30,000</u>	<u>\$ 61,238</u>

**JOSEPHINE COUNTY FOOD BANK INC.**  
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**7. DEFERRED REVENUE FOR PERFORMANCE OBLIGATIONS**

The Organization received grant revenue for specific programs and fundraising events. These upfront payments are recorded as deferred revenue until it fulfills its performance obligation. The total deferred revenue as of June 30, 2022, is \$25,000 from grant revenues for the purpose to aid in the expansion of the work completed by Organization. These funds are to be spent by June 30, 2023.

**8. LEASING ARRANGEMENTS**

The Organization entered into a lease agreement with the City of Grants Pass to lease the land holding their farm, food distribution center and office. The term of the lease runs through July 2041. Under the terms of the agreement, the Organization made annual payments based on acreage totaling \$1,414, farmhouse rental \$5,307 (\$442.25 per month) and \$2,853 (\$237.76 per month) through 2022. Lease agreement is based on the fiscal year with total lease payments totaling \$9,574.

**9. RESTRICTED NET ASSETS**

At June 30, 2022, the Organization had net restricted assets in the form of real property located at 3658 Upper River Road restricted for use as a food bank distribution facility with an asset value of \$1,049,500. This amount represents leasehold improvements made to the distribution center. The Organization has a long-term lease on this property scheduled to run through the year ending 2041.

In addition, the Organization has \$30,000 held in perpetuity based on donor restrictions. These funds are held in the Oregon Community Foundation Endowment Fund.

**10. PRIOR PERIOD ADJUSTMENT**

During the fiscal year ending June 30, 2022, it was noted that a total of \$30,000 was originally contributed to the Organization in perpetuity. These funds placed in an endowment fund held at the Oregon Community Foundation. Mistakenly, the funds were not recorded as donor restricted net assets. A correction was made to reclassify \$30,000 of the beginning net assets to properly record the intended donor restriction. Total beginning net assets remained at \$2,271,141.

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**11. RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which commercial insurance is carried. There has been no significant reduction in insurance coverage from the prior year and the Organization has not been required to pay any settlements, in excess of insurance coverage, during the year ended June 30, 2022.

In the normal course of operations, The Organization receives grant funds from various agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. Additionally, the Organization maintains a significant amount of funds with Charles Schwab to reduce the amount of funds exceeding the standard FDIC insurance.

**13. RELATED PARTY TRANSACTIONS**

The Organization utilizes Board members for legal services, investment services, and various other services. The services were not considered material transactions for the year ended June 30, 2022. In addition, no Board member received any direct compensation for services provided.

**14. SUBSEQUENT EVENTS**

Management of The Josephine County Food Bank has evaluated events and transactions occurring after June 30, 2022, through January 12, 2023, which is the date of the audit report. The audit report was available to be issued on January 16, 2023.