

OREGON FOOD BANK, INC.

**Audited Financial
Statements
And Reports Required
By OMB Circular A-133**

**For the Year Ended
June 30, 2013**



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA
Shareholder

To the Board of Directors
Oregon Food Bank, Inc.

Susan J. Marks, CPA
Shareholder

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, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

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.

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

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.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oregon Food Bank, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobz, P.C.

Portland, Oregon

October 30, 2013

OREGON FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With comparative totals for 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,739,426	\$ 1,140,099
Accounts and other receivables, net	475,931	391,488
Pledges receivable, net	170,685	263,900
Certificates of deposit	4,662,544	4,537,735
Inventory	5,229,844	4,329,503
Prepaid expenses and unemployment deposit	663,212	736,590
Total current assets	13,941,642	11,399,315
Certificates of deposit, long term	2,598,327	4,553,252
Designated quasi-endowment investments	5,374,557	4,070,358
Designated investments for annuity agreements	138,539	138,017
Pledges receivable, net of current portion	87,000	103,700
Property and equipment, net	15,664,521	15,912,558
TOTAL ASSETS	\$ 37,804,586	\$ 36,177,200
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 344,155	\$ 322,371
Agency pass-through payable	177,271	38,958
Accrued payroll and vacation	486,295	464,127
Advance deposits	390,445	409,353
Annuity agreement liability, current portion	11,343	11,343
Total current liabilities	1,409,509	1,246,152
Long-term accrued expenses	65,033	131,303
Annuity agreement liability, less current portion	106,620	109,560
Total liabilities	1,581,162	1,487,015
Net assets:		
Unrestricted:		
Undesignated	6,924,522	7,974,430
Board designated	8,574,557	6,720,358
Net property and equipment	15,664,521	15,912,558
Total unrestricted	31,163,600	30,607,346
Temporarily restricted	5,059,824	4,082,839
Total net assets	36,223,424	34,690,185
TOTAL LIABILITIES AND NET ASSETS	\$ 37,804,586	\$ 36,177,200

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
(With comparative totals for 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 12,199,359	\$ 314,511	\$ 12,513,870	\$ 12,886,454
Waterfront Blues Festival, net of expenses of \$1,514,970 for 2013 and \$1,193,931 for 2012	757,191	-	757,191	928,631
Harvest Dinner, net of expenses of \$135,045 for 2013 and \$142,971 for 2012	380,741	-	380,741	462,020
Government support	2,283,642	-	2,283,642	1,680,335
Share contributions	434,165	-	434,165	556,019
Food-to-buy program	3,001,477	-	3,001,477	3,061,529
Government commodities	-	8,277,999	8,277,999	4,565,703
Net investment income and other income	490,798	-	490,798	114,834
Donated goods and services	112,577	32,094,852	32,207,429	29,822,527
Net assets released from restrictions:				
Satisfaction of purpose restrictions	39,710,377	(39,710,377)	-	-
Total support and revenue	59,370,327	976,985	60,347,312	54,078,052
Expenses:				
Food collection, warehousing and distribution programs	54,309,834	-	54,309,834	52,397,962
Advocacy	474,054	-	474,054	467,158
Other programs	636,016	-	636,016	663,545
Total program services	55,419,904	-	55,419,904	53,528,665
Supporting services:				
Management and general	1,038,054	-	1,038,054	1,081,454
Fundraising	2,356,115	-	2,356,115	2,269,823
Total expenses	58,814,073	-	58,814,073	56,879,942
Change in net assets	556,254	976,985	1,533,239	(2,801,890)
Net assets:				
Beginning of year	30,607,346	4,082,839	34,690,185	37,492,075
End of year	\$ 31,163,600	\$ 5,059,824	\$ 36,223,424	\$ 34,690,185

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013
(With comparative totals for 2012)

	2013					2012
	Food Programs	Advocacy and Other Programs	Management and General	Fund- Raising	Total	Total
Operating activities:						
Salaries and related expenses	\$ 4,982,144	\$ 812,413	\$ 688,785	\$ 1,506,046	\$ 7,989,388	\$ 7,904,099
Purchased contract services	72,867	106,594	78,121	50,443	308,025	491,118
Supplies and miscellaneous	262,889	18,687	19,767	147,011	448,354	401,048
Telephone and computer support	112,824	13,416	51,610	75,318	253,168	215,993
Postage and shipping	3,084	814	3,615	84,823	92,336	95,979
Transportation	699,944	-	-	-	699,944	608,720
Occupancy	500,305	13,880	8,944	29,368	552,497	558,586
Insurance	86,591	103	11,951	8,781	107,426	103,607
Equipment and maintenance	83,410	4,649	15,416	9,319	112,794	284,374
Printing and publications	30,860	16,534	5,059	192,231	244,684	221,258
Travel	76,607	61,132	25,929	9,609	173,277	167,933
Conferences and meetings	97,315	19,963	24,731	7,623	149,632	207,513
Food related costs	339,939	21,218	-	-	361,157	451,473
Dues and fees	31,592	6,265	75,973	208,627	322,457	328,718
Agency grants - discretionary	604,103	-	-	-	604,103	1,041,856
Depreciation and amortization	670,928	14,402	28,153	26,916	740,399	712,016
Total operating activities	<u>8,655,402</u>	<u>1,110,070</u>	<u>1,038,054</u>	<u>2,356,115</u>	<u>13,159,641</u>	<u>13,794,291</u>
Pass-through activities:						
Federal	242,935	-	-	-	242,935	311,397
State	629,796	-	-	-	629,796	478,791
Other pass-through	197,214	-	-	-	197,214	64,852
Designated contributions	80,388	-	-	-	80,388	185,085
Change in value of annuity agreements and payments	11,343	-	-	-	11,343	11,421
Total pass-through activities	<u>1,161,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161,676</u>	<u>1,051,546</u>
Value of product distributed:						
USDA/TEFAP goods distributed	7,933,635	-	-	-	7,933,635	4,827,688
Donated goods distributed	31,425,021	-	-	-	31,425,021	30,323,774
Food-to-buy goods distributed	2,941,845	-	-	-	2,941,845	3,009,596
Purchased product distributed	2,192,255	-	-	-	2,192,255	3,873,047
Total value of product distributed	<u>44,492,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,492,756</u>	<u>42,034,105</u>
Total expenses	<u>\$ 54,309,834</u>	<u>\$ 1,110,070</u>	<u>\$ 1,038,054</u>	<u>\$ 2,356,115</u>	<u>\$ 58,814,073</u>	<u>\$ 56,879,942</u>

See notes to financial statements.

OREGON FOOD BANK, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013
(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,533,239	\$ (2,801,890)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	740,399	712,016
Net realized/unrealized (gain) loss on investments	(294,452)	107,994
(Gain) loss on disposal of equipment	(5,951)	6,589
(Increase) decrease in:		
Accounts and pledges receivable	(121,428)	81,731
Inventory	(900,341)	591,031
Prepaid expenses and unemployment deposit	73,378	(163,935)
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,318)	78,540
Agency pass-through payable	138,313	(5,607)
Advance deposits	(18,908)	36,189
Annuity agreements	(3,462)	13,764
Net cash provided by (used by) operating activities	<u>1,118,469</u>	<u>(1,343,578)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(498,311)	(488,575)
Proceeds from sale of property and equipment	11,500	-
Proceeds from investments and certificates of deposit	5,546,913	6,084,026
Additions to investments and certificates of deposit	(4,726,144)	(5,640,139)
Net cash provided by (used in) investing activities	<u>333,958</u>	<u>(44,688)</u>
Cash flows from financing activities:		
Payments on pledges restricted to capital campaign	146,900	344,880
Net cash provided by financing activities	<u>146,900</u>	<u>344,880</u>
Net increase (decrease) in cash and cash equivalents	1,599,327	(1,043,386)
Cash and cash equivalents - beginning of year	<u>1,140,099</u>	<u>2,183,485</u>
Cash and cash equivalents - end of year	<u>\$ 2,739,426</u>	<u>\$ 1,140,099</u>

See notes to financial statements.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. DESCRIPTION OF THE ORGANIZATION

Oregon Food Bank's (OFB or the Organization) mission is to eliminate hunger and its root causes ... *because no one should be hungry.*

OFB formed in 1988, when Interagency Food Bank merged with Oregon Food Share. The Interagency Food Bank collected and distributed donated food in the Portland metropolitan area; Oregon Food Share collected and distributed donated food to Interagency Food Bank and the rest of the state of Oregon. Today OFB serves as the hub of a network of hunger relief agencies that serve Oregon's 36 counties, and Clark County, Washington.

Food is received from farms, manufacturers, wholesalers, retailers and individuals. OFB is authorized through the State of Oregon to receive commodities from the United States Department of Agriculture (USDA) for distribution in Oregon. Oregon Food Bank also purchases food to supplement donations received.

Food is distributed to twenty Regional Food Banks (RFBs) in Oregon and Clark County, Washington. The RFBs in turn, distribute the food to 953 food pantries, soup kitchens, shelters, and other programs that offer assistance to low-income individuals and families. These programs are referred to as Partner Agencies (PAs).

OFB operates four of the twenty regional food banks. The number of sites and agencies served by Oregon Food Bank's RFBs are:

	As of June 30	
	<u>2013</u>	<u>2012</u>
Metro	221	224
Washington County	83	87
Southeast Oregon	23	22
Tillamook County	27	25

In addition to collecting and distributing food, OFB operates advocacy and public education programs. Advocacy efforts focus on outreach to underserved populations, research, and public policy issues that affect the root causes of hunger. In addition, "Learning Gardens" and nutrition education programs seek to increase peoples' abilities to grow, purchase and prepare their own food.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

1. DESCRIPTION OF THE ORGANIZATION, Continued

OFB secures funding for and acts as a pass-through fiscal agent of funds and food for RFBs and selected PAs. OFB is a certified member of Feeding America, a national hunger-relief organization of food banks and food rescue organizations.

U.S. Government Programs

The Emergency Food Assistance Program (TEFAP)

TEFAP supplements the diets of some low-income Americans, by providing them with emergency food and nutrition assistance at no cost. USDA allocates TEFAP commodities to each state. States designate an agency to order, store, distribute and track TEFAP commodities, as well as monitor distribution sites. These distribution sites provide the commodities for household consumption or use them to prepare and serve meals in a congregate setting. Recipients of food for home use must meet income eligibility criteria set by the states. Recipients of foods prepared from USDA commodities at congregate feeding sites are presumed to be low income and are therefore not subject to eligibility criteria.

Oregon Housing and Community Services (OHCS) is the designated state agency responsible for oversight of TEFAP commodities and operating funds. OHCS has contracted with OFB to serve as the State Coordinating Agency (SCA) for distributing TEFAP commodities and operating funds.

As an SCA, OFB contracts with RFBs for the distribution of commodities to PAs who distribute food to low-income people. In addition, as an RFB, OFB contracts with PAs in Clackamas, Multnomah, Washington, Tillamook, Malheur and Harney counties, to distribute commodities to low-income people.

Agencies receiving commodities for distribution must be members in good standing with OFB and meet the state and federal requirements for eligibility which include tax exempt status, capacity to ensure accountability through proper record keeping and inventory procedures, and safe storage and distribution practices. Agencies also must complete and sign the USDA Sub-Distribution Agreement.

TEFAP funds are first split 50-50 between OFB (as the SCA) and 20 RFBs (including the 4 OFB branches). The Network TEFAP funds are allocated to the RFBs using the most recent 5 year US Census ACS data for poverty by county (weighted 60%) and county unemployment (weighted 40%).

TEFAP commodities are allocated using the same formula after a .75% base is allotted to each RFB.

Unemployment figures are updated twice in the year (May and November) for food allocation. The spring figure is used for the funds allocation for the federal fiscal year.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

1. DESCRIPTION OF THE ORGANIZATION, Continued

RFBs submit reimbursement requests to OFB for their personnel, storage, distribution and other related expenses. Reimbursement for these expenses, up to the allocated amount of funds available, represents grants of federal funds to subrecipients.

A portion of direct costs of personnel, storage, and distribution expenses incurred by OFB and RFBs for the operation of the USDA commodities program are reimbursed by the State of Oregon using funds provided by the United States Department of Agriculture through the TEFAP.

Emergency Food and Shelter Program (EFSP)

OFB makes bulk purchases of food for local agencies in Clackamas, Multnomah, Washington, and Malheur 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.

Continued funding levels of TEFAP and FEMA EFSP programs are subject to annual renewal by the Congress of the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pledges Receivable

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

Investments

Investments are held in marketable securities and are carried at fair value.

Inventory

Inventory consists of donated food and grocery products, U.S. Department of Agriculture (USDA) commodities, and purchased product. Donated goods inventory is stated at the estimated wholesale fair market value. USDA commodities are stated at the value provided by the Department of Agriculture. Purchased product inventory is stated at cost on a first-in first-out basis. Donated goods inventory is recorded at \$1.39 per pound, which is the estimate wholesale fair value of the donations.

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. Beginning in 2012, management's assessment of the expected useful life of trucks was increased from five to ten years.

Income Tax Status

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

The Organization's information returns for years ended June 30, 2009 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services

Donations of food and grocery products by the food industry, other businesses, community organizations and individuals are recorded as support at their estimated wholesale fair value currently stated at \$1.39 per pound. To arrive at the estimated wholesale fair value per pound, OFB uses the approximate average value based on an independent accountants' report to Feeding America. The report is used as a guide to determine an average rate that reflects the specific composition of inventory held by OFB. The two most recent reports valued donated product at \$1.69 for the calendar year ending 2012 and \$1.66 for the calendar year ending 2011.

Approximately 23.1 million and 21.6 million pounds of donated product, net of adjustments, were received from the above referenced sources during the years ended June 30, 2013 and 2012, respectively.

Inventory of current-year product donations not distributed is reflected as a temporarily restricted net asset.

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization 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. During the year ended June 30, 2013, the Organization received approximately \$32,000 for marketing services. Other services received are primarily for a special event. A substantial number of volunteers have donated their time in various OFB programs and special events.

Restricted and Unrestricted Revenue and Support

Support from contributions that are 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.

Advertising

Advertising costs are charged to expense as incurred.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

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

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.

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.

Summarized Financial Information for 2012

The financial information as of June 30, 2012 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 30, 2013, the date the financial statements were available to be issued.

3. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are unsecured and consist of the following at June 30, 2013 and 2012:

	2013	2012
Share contributions and food-to-buy receivables from regional food banks and local agencies, net of allowance for doubtful accounts of \$1,000 and \$1,100 at June 30, 2013 and 2012, respectively	\$ 276,204	\$ 291,530
Federal and state appropriations	182,077	89,650
Other	17,650	10,308
Accounts and other receivables	\$ 475,931	\$ 391,488

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

4. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give as follows at June 30, 2013 and 2012:

	2013	2012
Receivable within one year	\$ 170,685	\$ 263,900
Receivable in two to five years	92,000	112,800
	262,685	376,700
Less allowance for uncollectible pledges	5,000	9,100
	\$ 257,685	\$ 367,600
Current pledges	\$ 170,685	\$ 263,900
Long-term pledges	87,000	103,700
	\$ 257,685	\$ 367,600

5. CERTIFICATES OF DEPOSIT

Certificates of deposit at June 30, 2013 earn interest at rates ranging from .25% to 1.6% and have maturity dates monthly through February 2016. Certificates of deposit at June 30, 2012, earn interest at rates ranging from .35% to 1.35% with maturities through February 2016. Certificates of deposit consist of the following at June 30, 2013 and 2012:

	2013	2012
Maturing within one year	\$ 4,662,544	\$ 4,537,735
Maturing in more than one year	2,598,327	4,553,252
	\$ 7,260,871	\$ 9,090,987

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

6. INVENTORY

Inventory amounts are restricted to distribution programs serving the needy. Therefore, the value of ending inventory which has been donated is reflected as a temporarily restricted contribution. Distribution of donated inventory on hand at the beginning of the year is reflected in the statement of activities as net assets released from restrictions during the year. Inventory consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Donated product	\$ 3,943,444	\$ 3,273,614
USDA Food	645,157	300,793
Purchased product	<u>641,243</u>	<u>755,096</u>
Total inventory	<u>\$ 5,229,844</u>	<u>\$ 4,329,503</u>

7. UNEMPLOYMENT DEPOSIT AND SELF-FUNDED UNEMPLOYMENT INSURANCE

Deposits include a certificate of deposit in the amount of \$119,521 and \$99,865 at June 30, 2013 and 2012, 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.

The Organization makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are reduced by claims outstanding at year end.

8. DESIGNATED QUASI-ENDOWMENT INVESTMENTS

Designated quasi-endowment investments are stated at market value and are summarized as follows at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 253,534	\$ 52,115
Fixed income securities	1,596,295	1,246,964
Equity securities	1,909,924	1,239,117
Beneficial interest in assets held by OCF (see Note 13)	<u>1,614,804</u>	<u>1,532,162</u>
Total designated quasi-endowment investments	<u>\$ 5,374,557</u>	<u>\$ 4,070,358</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

8. DESIGNATED QUASI-ENDOWMENT INVESTMENTS, Continued

Investment income consists of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 134,519	\$ 217,872
Net realized gains (losses)	56,693	(3,562)
Unrealized gains (losses)	<u>237,759</u>	<u>(104,432)</u>
Total investment income	<u>\$ 428,971</u>	<u>\$ 109,878</u>

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,289,142	\$ 3,289,142
Buildings	14,106,885	13,939,676
Office furniture and equipment	318,905	338,210
Computer equipment and software	725,292	661,753
Warehouse equipment	953,780	992,520
Vehicles	1,860,711	1,604,200
Artwork	13,800	13,800
Construction in progress	-	74,288
	<u>21,268,515</u>	<u>20,913,589</u>
Less accumulated depreciation and amortization	<u>5,603,994</u>	<u>5,001,031</u>
Property and equipment, net	<u>\$ 15,664,521</u>	<u>\$ 15,912,558</u>

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 \$138,539 and \$138,017 at June 30, 2013 and 2012, respectively.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

10. ANNUITY AGREEMENTS, Continued

As trustees, the Organization is obligated to make annuity payments under 7 charitable gift annuity agreements to 5 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 the Organization's liability under these agreements is \$117,963 and \$120,903 at June 30, 2013 and 2012, respectively.

		2013		2012
Current portion	\$	11,343	\$	11,343
Long-term portion		106,620		109,560
Total annuity agreement liability	\$	117,963	\$	120,903

11. LEASE COMMITMENTS

The Organization leases office and warehouse space in Ontario, Oregon under a non-cancellable operating lease which expires June 2016 and may be renewed for an additional five-year term. Monthly rent under the lease is \$1,880 with scheduled increases.

The Organization leases office and warehouse space in Tillamook, Oregon under a non-cancellable operating lease which expires June 2016 and may be renewed for an additional five-year term. Monthly rent under the lease is \$1,700 with scheduled increases.

Total rent expense under these leases approximated \$38,000 and \$41,000 for the years ended June 30, 2013 and 2012, respectively.

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

Year ending June 30, 2014	\$	43,000
2015		47,800
2016		49,000

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 a liability of the Organization 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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

13. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Quasi-endowment	\$ 5,374,557	\$ 4,070,358
Network contingency fund	500,000	500,000
Strategic plan	1,000,000	300,000
Food purchase reserve	1,000,000	1,000,000
Capital improvement	<u>700,000</u>	<u>850,000</u>
Total Board designated net assets	<u>\$ 8,574,557</u>	<u>\$ 6,720,358</u>

Undesignated net assets total \$6,924,522 and \$7,974,430 at June 30, 2013 and 2012, respectively.

Quasi-Endowment

On February 25, 1998, the Board of Directors adopted a policy to establish a quasi-endowment account at the Oregon Community Foundation (OCF). This policy expresses the intent of the Board of Directors to apply the income from the quasi-endowment fund in such amounts as they may determine, to provide a long-term source of revenue to supplement the Annual Fund and to protect major capital investments in order to best serve the mission of the Oregon Food Bank and achieve its long-term strategic goals. Under the terms of the agreement, 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. The Organization receives distributions based on the provisions of the agreement with OCF. The funds may be withdrawn upon a majority vote of all the Board of Directors of Oregon Food Bank if, in the sole judgment of the Board of Directors of OCF, the requested distribution is consistent with the objectives and purposes of Oregon Food Bank and with the charitable, educational, and scientific needs of the State of Oregon.

OCF establishes policies on the amount that may be distributed or paid out annually from the endowment fund to OFB. Distributions from OCF totaled \$71,474 and \$69,026 during the years ended June 30, 2013 and June 30, 2012, respectively.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

13. BOARD DESIGNATED NET ASSETS, Continued

To achieve its objective, the Organization has invested assets with OCF and U.S. Bank, each of which 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, the Organization expects its endowment assets, over time, to produce an average rate of return consistent with the market. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Changes in board designated quasi-endowment assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 4,070,358	\$ 3,931,798
Assets designated during the year	1,050,808	257,460
Investment return, net of expenses	324,865	(49,874)
Amounts appropriated for food purchase	<u>(71,474)</u>	<u>(69,026)</u>
Balance at end of year	<u>\$ 5,374,557</u>	<u>\$ 4,070,358</u>

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Food Distribution:		
Donated product	\$ 3,943,444	\$ 3,273,614
USDA food	645,157	300,793
Unemployment insurance deposit	119,521	99,865
Other program and time restricted	<u>351,702</u>	<u>408,567</u>
Total temporarily restricted net assets	<u>\$ 5,059,824</u>	<u>\$ 4,082,839</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

15. CONTRIBUTION REVENUE

Contribution revenue, excluding capital campaign contributions, consists of the following during the years ended June 30, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>June 30, 2013</u>			
Individuals	\$ 8,947,868	\$ 29,655	\$ 8,977,523
Foundations	1,424,397	195,039	1,619,436
Corporations	1,572,581	89,817	1,662,398
Other organizations	<u>254,513</u>	<u>-</u>	<u>254,513</u>
Total contributions	<u>\$ 12,199,359</u>	<u>\$ 314,511</u>	<u>\$ 12,513,870</u>
<u>June 30, 2012</u>			
Individuals	\$ 8,827,114	\$ 26,919	\$ 8,854,033
Foundations	2,088,466	85,250	2,173,716
Corporations	1,299,862	109,653	1,409,515
Other organizations	<u>404,190</u>	<u>45,000</u>	<u>449,190</u>
Total contributions	<u>\$ 12,619,632</u>	<u>\$ 266,822</u>	<u>\$ 12,886,454</u>

16. FOOD COLLECTION, WAREHOUSING AND DISTRIBUTION PROGRAMS

Expenses related to food collection, warehousing and distributions programs consists of the following during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Statewide food bank services	\$ 27,414,857	\$ 25,218,414
Clackamas, Multnomah and Clark Counties	18,475,767	18,664,411
Washington County	6,665,800	6,693,785
SE Oregon-Harney and Malheur Counties	956,118	1,033,895
Tillamook County	<u>797,292</u>	<u>787,457</u>
Total food collection, warehousing, and distribution expenses	<u>\$ 54,309,834</u>	<u>\$ 52,397,962</u>

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

17. RETIREMENT PLAN

The Organization's retirement plan includes the employee salary deferral provisions of a 401(k) plan. The plan covers substantially all of its employees with more than one year of service. Under the terms of the plan, OFB may make discretionary contributions based on eligible compensation. However, no matching contributions are required for the employee deferral feature of the plan. The investment decisions regarding the employer-contributed assets and employee deferrals are made by each employee. During the years ended June 30, 2013 and 2012, contributions of five to seven percent of qualified compensation (depending on years of continuous service) were made to the plan and charged to operations totaling \$298,050 and \$277,788, respectively.

18. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2013 and 2012, OFB purchased goods or services from or provided grants to regional food banks and a local agency whose employees served on the Board of Directors. These transactions are in the normal course of operations and have been approved by the Board of Directors.

During the year ended June 30, 2013, OFB provided funding to organizations with membership on the Board in the amount of \$160,464. Agencies receiving funding were Linn Benton Food Share (\$53,601), Food for Lane County (\$106,563), and True Life Fellowship (\$300).

During the year ended June 30, 2012, OFB provided funding to organizations with membership on the Board in the amount of \$266,649. Agencies receiving funding were Linn Benton Food Share (\$100,294) Food for Lane County (\$161,355), True Life Fellowship (\$4,000), and HOPE Pantry (\$1,000).

The above-referenced transactions do not include reimbursing or paying directly the expenses of some Board members for mileage, lodging and related expenses to attend meetings.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

19. 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. Additional insurance coverage was available through December 31, 2012 for non-interest bearing accounts. At June 30, 2013, there was approximately \$3,240,000 in uninsured balances. At June 30, 2012, there were no uninsured balances.

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

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.

20. 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.

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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

20. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2013 and 2012 and are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2013</u>				
Assets:				
Investments - Fixed income funds	\$ 1,596,295	\$ 1,596,295	\$ -	\$ -
Investments - Equity funds	1,909,924	1,909,924	-	-
Beneficial interest in assets held by OCF	1,614,804	-	-	1,614,804
Equity and fixed income securities designated for annuity agreements	138,539	138,539	-	-
Liabilities:				
Obligations under annuity agreements	(117,963)	-	-	(117,963)
<u>June 30, 2012</u>				
Assets:				
Investments - Fixed income funds	\$ 1,246,964	\$ 1,246,964	\$ -	\$ -
Investments - Equity funds	1,239,117	1,239,117	-	-
Beneficial interest in assets held by OCF	1,532,162	-	-	1,532,162
Equity and fixed income securities designated for annuity agreements	138,017	138,017	-	-
Liabilities:				
Obligations under annuity agreements	(120,903)	-	-	(120,903)

Fair values for investments designated for quasi-endowment 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 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.

OREGON FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

20. FAIR VALUE MEASUREMENTS, Continued

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in assets held by OCF:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 1,532,162	\$ 1,666,690
Earnings, net of fees	4,847	10,420
Change in value	149,269	(75,922)
Appropriated for food purchase	<u>(71,474)</u>	<u>(69,026)</u>
Balance at end of year	<u>\$ 1,614,804</u>	<u>\$ 1,532,162</u>

Obligation under split interest agreements:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 120,903	\$ 124,431
Change in value of split interest agreements	8,403	7,815
Payments to beneficiaries	<u>(11,343)</u>	<u>(11,343)</u>
Balance at end of year	<u>\$ 117,963</u>	<u>\$ 120,903</u>

The change in value is included in unrestricted investment income and other income on the statement of activities.

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND OMB CIRCULAR A-133**



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**

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

To the Board of Directors
Oregon Food Bank, Inc.
Portland, Oregon

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, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013.

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.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonald Jacobz, P.C.

Portland, Oregon
October 30, 2013



McDONALD JACOBS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE**

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

To the Board of Directors
Oregon Food Bank, Inc.
Portland, Oregon

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

Strength in Numbers

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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, 2013.

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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McDonald Jacobz, P.C.

Portland, Oregon
October 30, 2013

OREGON FOOD BANK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass through from Oregon State Housing and Community Services:</i>			
Emergency Food Assistance Program - Administration	1380	10.568	\$ 605,587
Emergency Food Assistance Program - Food Commodities	1380	10.569	<u>7,933,635</u>
Total U.S. Department of Agriculture - Emergency Food Assistance cluster			<u>8,539,222</u>
Total U.S. Department of Agriculture			<u>8,539,222</u>
U.S. Department of Homeland Security			
Passed through from Multnomah County EFSP-Bulk Purchase	None	97.024	88,089
Passed through from Clackamas County EFSP-Bulk Purchase	None	97.024	71,984
Passed through from Washington County EFSP-Bulk Purchase	None	97.024	37,141
Passed through for EFSP-Bulk Purchase administration	None	97.024	<u>4,024</u>
Total Department of Homeland Security			<u>201,238</u>
Total expenditures of federal awards			<u>\$ 8,740,460</u>

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, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes all federal grant activity of Oregon Food Bank, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained on OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Total expenditures of federal awards	\$ 8,740,460
Non-federal expenditures	<u>50,073,613</u>
Total expenses per statement of activities	<u>\$ 58,814,073</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, 2013, Oregon Food Bank, Inc. had an inventory of USDA food commodities of \$645,157.

4. PASS-THOUGH GRANTS

The federal expenditures for the Emergency Food Assistance Program include grants to subrecipients totaling \$242,935. Expenditures were made to 16 agencies, none exceeding \$100,000.

5. OTHER DISCLOSURES

Loans and loan guarantees: Oregon Food Bank had no loans or loan guarantees outstanding at June 30, 2013

OREGON FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2013

NONE: There were no prior year audit findings.

OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013

Section 1 - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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 Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs.	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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OREGON FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2013

Section 2 - Financial Statement Findings

None reported.

Section 3 - Federal Award Findings and Questioned Costs

No matters reported.

**OREGON FOOD BANK, INC.
CORRECTIVE ACTION PLAN
For the year ended June 30, 2013**

There were no audit findings.