

FOOD FOR LANE COUNTY, INC.

**FINANCIAL STATEMENTS AND
SINGLE AUDIT INFORMATION**

For the Years Ended June 30, 2016 and 2015

Jones & Roth

CPAs & Business Advisors

FOOD FOR LANE COUNTY, INC.
FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION
For the Years Ended June 30, 2016 and 2015

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INTRODUCTORY SECTION

FOOD FOR LANE COUNTY, INC.
BOARD OF DIRECTORS
For the Year Ended June 30, 2016

Erik Vos
Chair

Gary Powell
Vice-Chair

Stephen Mallery
Treasurer

Todd Gorham
Secretary

Sheldon Rubin
Past Chair

Robin Brown-Wood
Development Chair

Rachel Ulrich
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Mike Drennan
Director

Charles Stanton
Director

Linda Eaton
Director

Greg Hazarabedian
Director

Kristie Gibson
Director

Boris Wiedenfeld-Needham
Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Food for Lane County, Inc.
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Food for Lane County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

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EUGENE 432 West 11th Avenue
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Hillsboro, OR 97124
phone (503) 648-0521
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for Lane County, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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 November 15, 2016 on our consideration of Food for Lane County, 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 Food for Lane County, Inc.'s internal control over financial reporting and compliance.



Jones & Roth, P.C.
Eugene, Oregon
November 15, 2016

FINANCIAL STATEMENTS

FOOD FOR LANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 575,463	\$ 182,832
Investments (Note 2)	1,058,175	1,057,916
Grants and program receivables	172,130	130,736
Inventory (Note 3)	862,563	893,561
Prepaid expenses	<u>28,737</u>	<u>19,990</u>
 Total current assets	 <u>2,697,068</u>	 <u>2,285,035</u>
Property and equipment		
Building	3,364,695	3,345,409
Land	290,492	290,492
Leasehold improvements	15,779	15,779
Equipment	517,936	441,638
Vehicles	<u>506,931</u>	<u>425,289</u>
	4,695,833	4,518,607
Accumulated depreciation	<u>(1,904,049)</u>	<u>(1,765,461)</u>
 Property and equipment, net	 <u>2,791,784</u>	 <u>2,753,146</u>
Other assets		
Beneficial interest in the Assets of the Oregon Community Foundation (OCF) (Note 4)	1,354,044	1,441,151
Restricted investments held for endowment fund	<u>55,803</u>	<u>51,783</u>
 Total other assets	 <u>1,409,847</u>	 <u>1,492,934</u>
 Total assets	 <u><u>\$ 6,898,699</u></u>	 <u><u>\$ 6,531,115</u></u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and other liabilities	\$ 166,439	\$ 102,710
Accrued payroll, vacation and related payroll liabilities	206,710	208,097
Deferred revenue	<u>38,450</u>	<u>10,850</u>
Total current liabilities	<u>411,599</u>	<u>321,657</u>
Net assets		
Unrestricted:		
Undesignated	3,697,203	3,699,164
Board-designated endowment (Note 4)	<u>1,354,044</u>	<u>1,441,151</u>
Total unrestricted	5,051,247	5,140,315
Temporarily restricted (Note 6)	1,387,836	1,022,918
Permanently restricted	<u>48,017</u>	<u>46,225</u>
Total net assets	<u>6,487,100</u>	<u>6,209,458</u>
Total liabilities and net assets	<u>\$ 6,898,699</u>	<u>\$ 6,531,115</u>

The accompanying notes are an integral part of these statements.

FOOD FOR LANE COUNTY, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and other support				
Contributions and promises to give	\$ 2,305,943	\$ 128,572	\$ 1,792	\$ 2,436,307
Corporate and foundation grants	274,164	627,856	-	902,020
Government grants and contracts	891,984	408,784	-	1,300,768
United Way of Lane County	-	65,895	-	65,895
Wholesale revenue and program sales	164,172	-	-	164,172
Donated goods and services	156,082	-	-	156,082
Donated food (Note 7)	-	9,360,394	-	9,360,394
Government commodities (Note 7)	-	859,618	-	859,618
Miscellaneous income	65,734	-	-	65,734
Investment and interest income	2,993	-	-	2,993
Change in beneficial interest in the assets of the OCF	(24,768)	-	-	(24,768)
Net assets released from restrictions	11,086,201	(11,086,201)	-	-
 Total revenue and other support	 <u>14,922,505</u>	 <u>364,918</u>	 <u>1,792</u>	 <u>15,289,215</u>
Expenses				
Food distribution program	13,762,506	-	-	13,762,506
Resource development	867,911	-	-	867,911
Administration	381,156	-	-	381,156
 Total expenses	 <u>15,011,573</u>	 <u>-</u>	 <u>-</u>	 <u>15,011,573</u>
 Change in net assets	 (89,068)	 364,918	 1,792	 277,642
 Net assets, beginning of year	 <u>5,140,315</u>	 <u>1,022,918</u>	 <u>46,225</u>	 <u>6,209,458</u>
 Net assets, end of year	 <u>\$ 5,051,247</u>	 <u>\$ 1,387,836</u>	 <u>\$ 48,017</u>	 <u>\$ 6,487,100</u>

2015			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,320,414	\$ 68,704	\$ 1,051	\$ 2,390,169
167,241	314,256	-	481,497
-	821,429	-	821,429
-	53,496	-	53,496
137,416	-	-	137,416
128,113	-	-	128,113
-	10,543,151	-	10,543,151
-	690,846	-	690,846
67,046	-	-	67,046
22,867	-	-	22,867
16,875	-	-	16,875
<u>12,339,970</u>	<u>(12,339,970)</u>	<u>-</u>	<u>-</u>
<u>15,199,942</u>	<u>151,912</u>	<u>1,051</u>	<u>15,352,905</u>
14,265,737	-	-	14,265,737
778,784	-	-	778,784
431,381	-	-	431,381
<u>15,475,902</u>	<u>-</u>	<u>-</u>	<u>15,475,902</u>
(275,960)	151,912	1,051	(122,997)
<u>5,416,275</u>	<u>871,006</u>	<u>45,174</u>	<u>6,332,455</u>
<u>\$ 5,140,315</u>	<u>\$ 1,022,918</u>	<u>\$ 46,225</u>	<u>\$ 6,209,458</u>

The accompanying notes are an integral part of these statements.

FOOD FOR LANE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			Total
	Food Distribution Program	Resource Development	Administration	
Operating expenses				
Personnel expenses:				
Salaries	\$ 1,687,998	\$ 332,942	\$ 256,097	\$ 2,277,037
Payroll taxes	162,792	27,147	20,401	210,340
Health and pension benefits	<u>315,015</u>	<u>58,038</u>	<u>33,438</u>	<u>406,491</u>
 Total personnel expenses	 <u>2,165,805</u>	 <u>418,127</u>	 <u>309,936</u>	 <u>2,893,868</u>
 Non-personnel expenses:				
Donated goods distributed	10,281,586	-	-	10,281,586
Food purchases	612,916	-	-	612,916
Non-food purchases	12,580	-	-	12,580
Delivery and vehicle expenses	84,660	-	-	84,660
Program supplies and services	144,194	971	704	145,869
Insurance	17,370	2,503	1,772	21,645
Facilities rental	20,803	-	-	20,803
Repairs and maintenance	31,168	2,233	2,636	36,037
Equipment, rentals, and leases	48,316	4,344	5,823	58,483
Office expense	8,683	1,573	4,010	14,266
Telecommunications	16,234	1,215	1,404	18,853
Dues, publications, and awards	1,833	1,873	4,422	8,128
Travel, training, and conferences	33,957	1,745	2,938	38,640
Consultants	8,008	8,820	7,420	24,248
Special events, direct mail, and promotional	444	273,464	-	273,908
Utilities	99,973	2,498	1,769	104,240
Miscellaneous	4,749	2,360	5,986	13,095
Bad debt	-	-	-	-
Grants to partner agencies	11,013	-	-	11,013
Contractual services	26,867	626	3,030	30,523
In-kind services and supplies	20,341	135,741	-	156,082
Depreciation	<u>111,006</u>	<u>9,818</u>	<u>29,306</u>	<u>150,130</u>
 Total non-personnel expenses	 <u>11,596,701</u>	 <u>449,784</u>	 <u>71,220</u>	 <u>12,117,705</u>
 Total operating expenses	 <u>\$ 13,762,506</u>	 <u>\$ 867,911</u>	 <u>\$ 381,156</u>	 <u>\$ 15,011,573</u>

2015

Food Distribution Program	Resource Development	Administration	Total
\$ 1,655,146	\$ 338,239	\$ 286,788	\$ 2,280,173
157,087	25,928	21,575	204,590
<u>291,278</u>	<u>57,674</u>	<u>39,105</u>	<u>388,057</u>
 <u>2,103,511</u>	 <u>421,841</u>	 <u>347,468</u>	 <u>2,872,820</u>
11,103,098	-	-	11,103,098
331,032	-	-	331,032
15,472	-	-	15,472
94,502	-	-	94,502
132,844	1,022	682	134,548
16,334	2,639	1,718	20,691
9,345	-	-	9,345
26,719	3,151	2,042	31,912
33,850	3,775	5,095	42,720
8,148	1,502	7,323	16,973
13,893	1,185	1,561	16,639
1,087	1,039	4,198	6,324
48,837	1,984	9,134	59,955
5,210	1,286	7,152	13,648
-	245,720	-	245,720
97,914	2,692	2,449	103,055
3,699	2,000	11,983	17,682
-	490	-	490
42,107	-	-	42,107
25,248	2,886	2,491	30,625
44,225	67,381	16,507	128,113
<u>108,662</u>	<u>18,191</u>	<u>11,578</u>	<u>138,431</u>
 <u>12,162,226</u>	 <u>356,943</u>	 <u>83,913</u>	 <u>12,603,082</u>
 <u>\$ 14,265,737</u>	 <u>\$ 778,784</u>	 <u>\$ 431,381</u>	 <u>\$ 15,475,902</u>

The accompanying notes are an integral part of these statements.

FOOD FOR LANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 277,642	\$ (122,997)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	150,130	138,431
Realized and unrealized losses (gains) on investments	40,646	(916)
Net change in beneficial interest in the assets of OCF	24,768	(16,875)
Contribution of investments	(62,798)	(104,220)
(Increase) decrease in operating assets:		
Unconditional promises to give	-	9,960
Grants and program receivables	(41,394)	(70,666)
Inventory	30,998	(183,154)
Prepaid expenses	(8,747)	(9,886)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	63,729	(39,861)
Accrued payroll, vacation, and related payroll liabilities	(1,387)	119,130
Deferred revenue	27,600	(10,208)
 Net cash provided (used) by operating activities	 501,187	 (291,262)
 Cash flows from investing activities		
Net sale of donated investments	62,798	104,220
Net purchases of investments	(40,906)	(21,404)
Proceeds from sale of investments	-	385,400
Deposits to restricted investments held for endowment	(4,020)	(915)
Proceeds from beneficial interest in assets of OCF	62,340	59,044
Deposits to beneficial interest in assets of OCF	-	(6,920)
Purchase of property and equipment	(188,768)	(45,331)
 Net cash provided (used) by investing activities	 (108,556)	 474,094
 Net increase in cash and cash equivalents	 392,631	 182,832
Cash and cash equivalents, beginning of year	182,832	-
Cash and cash equivalents, end of year	\$ 575,463	\$ 182,832

The accompanying notes are an integral part of these statements.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Food for Lane County, Inc. (FFLC), a nonprofit organization, is a regional food bank serving all of Lane County, Oregon. FFLC solicits, grows, rescues, and collects food which is then distributed through nonprofit member agencies providing food box programs, emergency shelters, soup kitchens, and residential treatment services. FFLC strives to increase public awareness of hunger. Approximately 8,218,272 pounds and 8,549,552 pounds of food were distributed in the years ended June 30, 2016 and 2015, respectively.

A substantial amount of support comes from donated food, including donations of commodities received through Oregon Food Bank; food rescued from restaurants, grocery stores, and the University of Oregon; and donations of food by the general public.

Financial Statement Preparation

The financial statements of FFLC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), FFLC reports financial information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

FFLC is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, FFLC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). FFLC files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

Financial Instruments

Concentration of Credit Risk Due to Grants and Program Receivables

Concentrations of credit risk with respect to grants receivable are limited to governmental agencies in the state of Oregon, including some pass-through nonprofit and federal grants and grants from charitable foundations. Concentrations of credit risk with respect to pledges receivable are limited to supporters of FFLC. As of June 30, 2016, receivables from three agencies accounted for 73 percent of the total receivable balance. As of June 30, 2015, receivables from two agencies accounted for 80 percent of the total receivable balance.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

Financial Instruments, continued

Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

FFLC maintains cash balances at several financial institutions located in Eugene, Oregon. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In 2016 and 2015, bank balances exceeded FDIC insurance limits at various times during the year. At June 30, 2016, and 2015, cash balances held in excess of federally insured limits were \$60,773 and \$-0-, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, FFLC considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include savings, checking accounts, money market funds held at banks, and certificates of deposit with less than three months original maturity.

Investments

Investments are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

Grants and Program Receivables

Grants and program receivables are primarily comprised of amounts receivable from state and local governments and other agencies that provide assistance to FFLC for its programs. Management considers historical write-offs when assessing the need for an allowance. As of June 30, 2016 and 2015, management considers the amounts fully collectible; therefore, management has elected not to record an allowance. Receivables are not secured.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight line method over the estimated lives of the assets. Property and equipment with a cost of \$1,500 or more are capitalized.

Restricted and Unrestricted Revenue and Support

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor 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 statements of activities as, "net assets released from restrictions". The endowment fund is permanently restricted by the donor. Investment earnings on this endowment are available for distribution and are recorded in temporarily restricted net assets until used for the intended purpose.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market value at the date of donation. Donated marketable securities are immediately sold and gain or loss, if significant, is recognized for the change in value from the date of donation to the date of sale.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, FFLC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. FFLC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Goods and Services

Contributions for goods and services are recorded at their estimated fair market value at the date of contribution. No amounts have been reflected in the financial statements for donated services, other than services requiring specific expertise or which create or enhance non-financial assets. However, many individuals volunteer their time and perform a variety of tasks that assist FFLC with specific programs and various committee assignments. FFLC receives more than 69,000 volunteer hours per year from several thousand people. Valued at \$10 per hour, this would be \$696,000.

Donations of services requiring specific expertise or that create or enhance non-financial assets are recorded as in-kind contributions at their estimated fair market value at the date of donation. Various services with a value of \$78,274 and \$45,993 were recorded as in-kind contributions during the years ended June 30, 2016 and 2015, respectively, and are included in the amounts listed in the table below.

The estimated value of total donated goods and services was as follows:

	<u>2016</u>	<u>2015</u>
Food distribution	\$ 19,533	\$ 37,329
Family Dinner Program	808	1,039
Resource development	<u>135,741</u>	<u>89,745</u>
 Total donated goods and services	 <u>\$ 156,082</u>	 <u>\$ 128,113</u>

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

Share Contribution and USDA Reimbursement

Oregon Food Bank is the statewide distribution network for food donations. FFLC pays a share contribution fee between \$.04 and \$.07 per pound to help Oregon Food Bank offset a portion of the handling and redistribution costs they incur. FFLC does not charge a share contribution fee to its partner agencies; all agencies receive food free of charge.

Expense Allocation

FFLC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to that program or service according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on employee hours worked in each program.

Advertising Costs

FFLC's advertising costs are expensed as incurred. Advertising costs totaled \$21,044 and \$22,350 for the years ended June 30, 2016 and 2015, respectively, and are included in fundraising and promotional expense on the statements of functional expenses.

2. Investments

Investments are comprised of mutual funds in the bond and equity markets.

At June 30, investment and interest income was comprised of the following:

	2016	2015
Interest and dividends	\$ 43,639	\$ 21,951
Unrealized losses	(40,646)	-
Unrealized gains	-	916
 Total investment and interest income	 \$ 2,993	 \$ 22,867

3. Inventory

Inventory is valued on a first-in, first-out basis and consists of donated goods, United States Department of Agriculture (USDA) commodities received from the government, and purchased food. The donated goods inventory for the years ended June 30, 2016 and 2015, was stated at \$1.51 and \$1.39 per pound, respectively, and represents the estimated fair market value for food received through Oregon Food Bank or donated by the public. USDA commodities were stated at the values provided by the USDA. Purchased food inventory was stated at cost.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

4. Beneficial Interest in the Assets of the Oregon Community Foundation

During 2010, FFLC established a Board-designated endowment fund with the Oregon Community Foundation (OCF). This fund is used by OCF as the source of unrestricted grants for FFLC. The agreement with OCF stipulates OCF maintains variance power over the fund and that the fund shall be held and owned by OCF. OCF may distribute, on an annual basis, a fixed percentage of the fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of FFLC, additional distributions may be made from the fund assets, even to the exhaustion of the fund, if in the sole judgment of the Board of Directors of OCF the requested distribution is consistent with the objectives and purpose of FFLC. The balance of the endowment fund is considered an other asset and is included in Board-designated unrestricted net assets.

Income or loss on the investments held by OCF, including unrealized gains and losses on the investments, interest, and dividends, is included in the statements of activities as the net change in the beneficial interest in the assets of OCF and is considered unrestricted.

The following schedule summarizes the activity of this endowment fund, reported at fair value, for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Additions:		
Interest and dividends	\$ 17,887	\$ 16,904
Contributions	-	6,920
Realized gains	34,592	14,216
Unrealized gains	<u>57,786</u>	<u>53,409</u>
Total additions	<u>110,265</u>	<u>91,449</u>
Expenses and reductions:		
Realized losses	3,101	10,608
Unrealized losses	120,299	43,963
Investment management fees	5,857	7,154
Approved distributions	62,340	59,044
Oregon Community Foundation fees	<u>5,775</u>	<u>5,930</u>
Total expenses and reductions	<u>197,372</u>	<u>126,699</u>
Decrease in investment	(87,107)	(35,250)
Beginning balance	<u>1,441,151</u>	<u>1,476,401</u>
Ending balance	<u>\$ 1,354,044</u>	<u>\$ 1,441,151</u>

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

5. Bank Line of Credit

FFLC entered into a line of credit agreement with Banner Bank which permitted borrowings of up to \$400,000 at a variable interest rate of prime plus 1 percent per annum with a floor of 5 percent. The interest rate was 5 percent at June 30, 2015. The line of credit was collateralized by FFLC's accounts receivable, inventory, and equipment. The line of credit with Banner Bank matured in November 2015 and was not renewed. In September 2015, FFLC entered into a line of credit agreement with Pacific Continental Bank which permits borrowings of up to \$400,000 at a variable interest rate equal to the lender's prime rate. The interest rate was 3.25 percent at June 30, 2016. The line of credit is collateralized by FFLC's accounts receivable, inventory, and equipment. There was no balance on the line of credit at June 30, 2016 or 2015. The line of credit was last renewed in October 2016 and is due to mature in October 2017.

6. Restrictions of Net Assets

Temporarily restricted net assets were available for the following purposes or periods:

	2016	2015
Food distribution:		
Donated food inventory	\$ 758,175	\$ 817,499
USDA food inventory	103,352	74,459
Total food distribution	861,527	891,958
Meals on Wheels program	388,226	-
For other programs	138,083	130,960
Total temporarily restricted net assets	\$ 1,387,836	\$ 1,022,918

Permanently restricted net assets consist of an endowment fund. The income from the endowment assets can be used to hire a part-time physically or mentally disabled individual to assist in the warehouse.

	2016	2015
Greg Webster Endowment	\$ 48,017	\$ 46,225

7. Donated Food and Commodities

Donations of food and commodities are recorded as support at their estimated fair market value. Commodities received from the USDA are recorded at the estimated value provided by the USDA. Donations of non-USDA food commodities received through Oregon Food Bank and from other sources for the years ended June 30, 2016 and 2015, were valued at estimated fair market value at the date of donation. For the year ended June 30, 2016, the estimated fair market values used to record food donations varied from \$1.25 to \$1.51 per pound. For the year ended June 30, 2015, the estimated fair market value used to record food donations was \$1.39 per pound. Inventory of current year food donations not distributed is reflected as temporarily restricted assets. Total estimated value of donated food and commodities received during the years ended June 30, 2016 and 2015, was \$10,220,012 and \$11,233,997, respectively.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

8. Employee Benefit Plan

Tax-Deferred Retirement Plan

Effective January 1, 2009, the Board of Directors of FFLC authorized a change from the tax-deferred retirement program under Section 403(b) to a SIMPLE IRA plan under Section 408(p) of the IRC (the Plan). The Plan is administered by FFLC and offers participating employees a choice of several different investment funding options. In addition to FFLC contributions to the Plan, employees may elect to contribute to the Plan through salary deferrals. Under the Plan, FFLC matches employee contributions dollar-for-dollar from 1 percent to 3 percent of employee salary.

An employee is eligible to receive FFLC contributions the first day of the month after 90 days of continuous employment. Only employees earning \$5,000 or more in wages annually are eligible to participate in the Plan and receive FFLC contributions. For the years ended June 30, 2016 and 2015, FFLC contributed \$54,188 and \$53,659, respectively, to the Plan.

9. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of FFLC. Management believes that unallowable costs, if any, would not be significant and would not have a material effect on FFLC's financial position.

10. Fair Value Measurement

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurement, continued

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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 determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, FFLC's investments at fair value as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – mutual funds, restricted	\$ 55,803	\$ -	\$ -	\$ 55,803
Investments – mutual funds, unrestricted	1,058,175	-	-	1,058,175
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>1,354,044</u>	<u>1,354,044</u>
Total assets at fair value	<u>\$ 1,113,978</u>	<u>\$ -</u>	<u>\$ 1,354,044</u>	<u>\$ 2,468,022</u>
	<u>Assets at Fair Value as of June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – mutual funds, restricted	\$ 51,783	\$ -	\$ -	\$ 51,783
Investments – mutual funds, unrestricted	1,057,916	-	-	1,057,916
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>1,441,151</u>	<u>1,441,151</u>
Total assets at fair value	<u>\$ 1,109,699</u>	<u>\$ -</u>	<u>\$ 1,441,151</u>	<u>\$ 2,550,850</u>

11. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

SINGLE AUDIT INFORMATION

FOOD FOR LANE COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Agriculture				
Passed through Lane County:				
Special Supplemental Nutrition Program for Women, Infants and Children	51504	10.557	\$ <u>2,870</u>	<u>-</u>
Food Distribution Cluster:				
Direct programs:				
Commodity Supplemental Food Program		10.565	87,574	-
Passed through Oregon Food Bank, Inc.:				
Commodity Supplemental Food Program	150347	10.565	24,104	-
Emergency Food Assistance Program - Administration		10.568	54,525	-
Emergency Food Assistance Program - Food Commodities		10.569	<u>743,151</u>	<u>743,020</u>
Total Food Distribution Cluster			<u>909,354</u>	<u>743,020</u>
Child Nutrition Cluster:				
Passed through Oregon Department of Education:				
Summer Food Service Program for Children	2006004	10.559*	<u>395,489</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,307,713</u>	<u>743,020</u>
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Passed through Lane County:				
Community Development Block Grant - City of Eugene	51311, 51312	14.218	146,562	-
Community Development Block Grant - City of Springfield	51311	14.218	<u>16,570</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>163,132</u>	<u>-</u>

FOOD FOR LANE COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
Passed through Lane Council of Governments:				
Special Programs for the Aging - Title III, Part C -				
Nutrition Services		93.045	92,552	-
Nutrition Services Incentive Program		93.053	<u>28,379</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>120,931</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through Lane County Emergency Food and Shelter Board:				
Emergency Food and Shelter National Program	712800	97.024	<u>81,900</u>	<u>-</u>
Total federal awards			<u>\$ 1,673,676</u>	<u>\$ 743,020</u>

*Denotes major program

FOOD FOR LANE COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of FFLC under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Schedule is not intended to and does not present the financial position, changes in net assets, or cash flows of FFLC.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenditures reported on the Schedule include non-monetary assistance in the form of food and other commodities received through the USDA Food Distribution Cluster of federal programs. The amount expended is determined based on the pounds of such commodities distributed using the per pound value provided by USDA. At June 30, 2016, FFLC had government food commodities totaling \$103,352 in inventory which were not reported as expenditures in the Schedule as the food commodities were not yet distributed.

FFLC has elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Food for Lane County, Inc.
Eugene, 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 Food for Lane County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food for Lane County, 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 Food for Lane County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food for Lane County, 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.

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.
Eugene, Oregon
November 15, 2016

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

To the Board of Directors
Food for Lane County, Inc.
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited Food for Lane County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food for Lane County, Inc.'s major federal programs for the year ended June 30, 2016. Food for Lane County, 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 Food for Lane County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food for Lane County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Food for Lane County, 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, 2016.

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Report on Internal Control Over Compliance

Management of Food for Lane County, 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 Food for Lane County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food for Lane County, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jones & Roth, P.C.
Eugene, Oregon
November 15, 2016

FOOD FOR LANE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Summary of Auditor's Results

- The independent auditor's report expresses an unmodified opinion on the financial statements of FFLC.
- No significant deficiencies and no material weaknesses in internal control were disclosed by the audit of the financial statements.
- No instances of noncompliance material to the financial statements of FFLC, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- No significant deficiencies and no material weaknesses were disclosed during the audit of the internal control over major federal award programs.
- The independent auditor's report on compliance for the major federal award programs for FFLC expresses an unmodified opinion on all major federal programs.
- There are no audit findings or questioned costs that are required to be reported in this schedule in accordance with the Uniform Guidance.
- The programs tested as major programs include:
 - Child Nutrition Cluster:
 - Summer Food Service Program for Children 10.559
- The threshold for distinguishing between Type A and B programs was \$750,000.
- FFLC qualified as a low-risk auditee.

Findings – Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

FOOD FOR LANE COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

Prior Year Findings – Financial Statements Audit

Finding 2015-001

Type of finding: Significant deficiency in internal control over financial reporting

Condition: During our audit procedures for the value of donated food receipts and donated food distributions we discovered the value reflected on the accounting records was significantly misstated. The value of donated food receipts and donated food distributions was overstated by approximately \$448,000. Through the investigation of the FFLC accounting staff, it was discovered the error was primarily the result of two data entry errors made in the Primarius software which is used to track food receipts, distributions and ending inventory. Ending inventory was not misstated in the accounting records.

Current Status: We noted significant improvement in the design and implementation of internal controls over with respect to the process used to track and record donated food receipts and donated food distributions. Additional internal controls were put in place including additional review of daily transaction entries and reconciliation procedures. During our audit procedures for the year ended June 30, 2016, we did not encounter errors that required adjustment.

Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit

None.