

FOOD FOR LANE COUNTY, INC.

**FINANCIAL STATEMENTS AND
SINGLE AUDIT INFORMATION**

For the Years Ended June 30, 2013 and 2012



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FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION
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INTRODUCTORY SECTION

FOOD FOR LANE COUNTY, INC.
BOARD OF DIRECTORS
For the Year Ended June 30, 2013

Scott Kitchel
Chair

David Schuman
Vice-Chair

Erik Vos
Treasurer

Sheldon Rubin
Secretary

Deanne Unruh
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Mike Drennan
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Gary Powell
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Director

Megan Wuest
Director

Andrea Ortiz
Director

Stephen Mallery
Director

Robin Brown-Wood
Director

Katrina Luther
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, 2013 and 2012, 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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BEND 300 SW Columbia Street
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EUGENE 432 West 11th Avenue
Eugene, OR 97401
phone (541) 687-2320
fax (541) 485-0960

HILLSBORO 5635 NE Elam Young Pkwy.
Suite 100
Hillsboro, OR 97124
phone (503) 648-0521
fax (503) 648-2692

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, 2013 and 2012, 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 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 November 14, 2013, 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 14, 2013

FINANCIAL STATEMENTS

FOOD FOR LANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 522,249	\$ 1,210,541
Certificates of deposit	-	374,569
Investments (Note 3)	928,347	-
Unconditional promises to give, current maturities	38,671	54,872
Grants and program receivables	52,524	174,035
Other receivables	-	3,843
Inventory (Note 5)	692,849	989,047
Prepaid expenses	<u>10,027</u>	<u>2,199</u>
 Total current assets	 <u>2,244,667</u>	 <u>2,809,106</u>
Property and equipment		
Building	3,115,795	3,077,058
Land	290,492	290,492
Leasehold improvements	15,779	15,779
Equipment	385,522	335,531
Vehicles	<u>377,518</u>	<u>359,443</u>
	4,185,106	4,078,303
Accumulated depreciation	<u>(1,495,175)</u>	<u>(1,371,438)</u>
 Property and equipment, net	 <u>2,689,931</u>	 <u>2,706,865</u>
Other assets		
Unconditional promises to give, net of current maturities	-	32,470
Beneficial interest in the Oregon Community Foundation (OCF) (Note 6)	1,301,191	1,042,295
Restricted investments held for endowment fund	<u>50,863</u>	<u>49,808</u>
 Total other assets	 <u>1,352,054</u>	 <u>1,124,573</u>
 Total assets	 <u><u>\$ 6,286,652</u></u>	 <u><u>\$ 6,640,544</u></u>

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 74,213	\$ 94,988
Accrued vacation payable	83,130	76,708
Deferred revenue	<u>15,908</u>	<u>4,128</u>
Total current liabilities	<u>173,251</u>	<u>175,824</u>
Net assets		
Unrestricted:		
Undesignated	3,877,628	4,194,478
Board-designated endowment	<u>1,301,191</u>	<u>1,042,295</u>
Total unrestricted	5,178,819	5,236,773
Temporarily restricted (Note 8)	889,408	1,183,823
Permanently restricted	<u>45,174</u>	<u>44,124</u>
Total net assets	<u>6,113,401</u>	<u>6,464,720</u>
Total liabilities and net assets	<u>\$ 6,286,652</u>	<u>\$ 6,640,544</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, 2013 and 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and other support				
Contributions and promises to give	\$ 2,130,416	\$ 132,937	\$ 1,050	\$ 2,264,403
Corporate and foundation grants	301,463	112,262	-	413,725
Government grants and allocations	-	695,077	-	695,077
United Way of Lane County	-	65,754	-	65,754
Wholesale revenue and program sales	121,134	-	-	121,134
Donated goods and services	114,243	-	-	114,243
Donated food (Note 9)	-	9,380,346	-	9,380,346
Government commodities (Note 9)	-	798,045	-	798,045
Miscellaneous income	39,402	-	-	39,402
Interest and dividend income	26,343	-	-	26,343
Realized gain (loss) on beneficial interest in OCF and investments	14,745	-	-	14,745
Unrealized gain (loss) on beneficial interest in OCF and investments	130,378	-	-	130,378
Net assets released from restrictions, satisfied by payments	<u>11,478,836</u>	<u>(11,478,836)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>14,356,960</u>	 <u>(294,415)</u>	 <u>1,050</u>	 <u>14,063,595</u>
Expenses				
Food distribution	13,314,613	-	-	13,314,613
Resource development	738,201	-	-	738,201
Administration	<u>362,100</u>	<u>-</u>	<u>-</u>	<u>362,100</u>
 Total expenses	 <u>14,414,914</u>	 <u>-</u>	 <u>-</u>	 <u>14,414,914</u>
 Change in net assets	 <u>(57,954)</u>	 <u>(294,415)</u>	 <u>1,050</u>	 <u>(351,319)</u>
 Net assets, beginning of year	 <u>5,236,773</u>	 <u>1,183,823</u>	 <u>44,124</u>	 <u>6,464,720</u>
 Net assets, end of year	 <u>\$ 5,178,819</u>	 <u>\$ 889,408</u>	 <u>\$ 45,174</u>	 <u>\$ 6,113,401</u>

2012			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,376,391	\$ 164,863	\$ 1,000	\$ 2,542,254
362,926	108,856	-	471,782
-	805,373	-	805,373
-	78,012	-	78,012
110,478	-	-	110,478
90,752	-	-	90,752
-	10,137,306	-	10,137,306
-	457,750	-	457,750
61,155	-	-	61,155
18,987	-	-	18,987
(8,576)	-	-	(8,576)
(18,930)	-	-	(18,930)
<u>11,581,447</u>	<u>(11,581,447)</u>	<u>-</u>	<u>-</u>
<u>14,574,630</u>	<u>170,713</u>	<u>1,000</u>	<u>14,746,343</u>
13,035,012	-	-	13,035,012
603,497	-	-	603,497
<u>375,101</u>	<u>-</u>	<u>-</u>	<u>375,101</u>
<u>14,013,610</u>	<u>-</u>	<u>-</u>	<u>14,013,610</u>
561,020	170,713	1,000	732,733
<u>4,675,753</u>	<u>1,013,110</u>	<u>43,124</u>	<u>5,731,987</u>
<u>\$ 5,236,773</u>	<u>\$ 1,183,823</u>	<u>\$ 44,124</u>	<u>\$ 6,464,720</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, 2013 and 2012

	2013			
	Food Distribution	Resource Development	Administration	Total
Operating expenses				
Personnel expenses:				
Salaries	\$ 1,421,245	\$ 301,044	\$ 226,695	\$ 1,948,984
Payroll taxes	174,349	28,458	20,886	223,693
Health and pension benefits	261,788	59,496	26,445	347,729
 Total personnel expenses	 <u>1,857,382</u>	 <u>388,998</u>	 <u>274,026</u>	 <u>2,520,406</u>
Non-personnel expenses:				
Donated goods distributed	10,546,833	-	-	10,546,833
Food purchases	272,945	-	-	272,945
Non-food purchases	21,673	-	-	21,673
Delivery and vehicle expenses	80,819	146	92	81,057
Program supplies and services	117,850	1,275	1,351	120,476
Insurance	16,371	2,483	1,580	20,434
Facilities rental	9,260	-	-	9,260
Repairs and maintenance	21,503	2,104	1,366	24,973
Equipment, rentals, and leases	51,632	6,198	6,216	64,046
Office expense	12,866	2,622	4,936	20,424
Telecommunications	14,597	1,740	1,254	17,591
Dues, publications, and awards	1,425	1,147	1,970	4,542
Travel, training, and conferences	45,108	2,110	7,327	54,545
Consultants	7,305	1,845	13,762	22,912
Fundraising and promotional	-	201,751	-	201,751
Utilities	78,718	9,599	6,067	94,384
Miscellaneous	4,732	2,255	6,114	13,101
Bad debt	-	7,500	-	7,500
Grants to partner agencies	16,252	-	-	16,252
Contractual services	19,988	2,571	17,122	39,681
In-kind services and supplies	25,144	89,099	-	114,243
Depreciation	92,210	14,758	18,917	125,885
 Total non-personnel expenses	 <u>11,457,231</u>	 <u>349,203</u>	 <u>88,074</u>	 <u>11,894,508</u>
 Total operating expenses	 <u><u>\$ 13,314,613</u></u>	 <u><u>\$ 738,201</u></u>	 <u><u>\$ 362,100</u></u>	 <u><u>\$ 14,414,914</u></u>

2012

Food Distribution	Resource Development	Administration	Total
\$ 1,303,926	\$ 241,800	\$ 210,281	\$ 1,756,007
158,700	27,620	18,526	204,846
<u>242,827</u>	<u>56,596</u>	<u>23,835</u>	<u>323,258</u>
<u>1,705,453</u>	<u>326,016</u>	<u>252,642</u>	<u>2,284,111</u>
10,493,614	-	-	10,493,614
250,813	-	-	250,813
16,249	-	-	16,249
83,607	155	110	83,872
105,204	1,145	817	107,166
15,113	2,328	3,617	21,058
8,610	-	-	8,610
17,249	2,234	2,757	22,240
37,302	4,215	30,077	71,594
9,840	1,785	11,510	23,135
13,831	1,740	1,403	16,974
989	1,629	1,376	3,994
40,804	1,835	3,558	46,197
3,074	1,204	6,897	11,175
-	181,262	-	181,262
83,087	2,238	1,573	86,898
1,751	1,326	11,424	14,501
-	-	-	-
6,024	-	-	6,024
17,927	2,425	10,287	30,639
13,473	53,288	23,990	90,751
<u>110,998</u>	<u>18,672</u>	<u>13,063</u>	<u>142,733</u>
<u>11,329,559</u>	<u>277,481</u>	<u>122,459</u>	<u>11,729,499</u>
<u>\$ 13,035,012</u>	<u>\$ 603,497</u>	<u>\$ 375,101</u>	<u>\$ 14,013,610</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (351,319)	\$ 732,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	125,885	142,733
Loss on disposal of assets	-	2,031
Realized (gain) loss	(14,745)	8,576
Unrealized (gain) loss	(130,378)	18,930
Contribution of investments	(35,794)	(39,971)
(Increase) decrease in operating assets:		
Unconditional promises to give	48,671	(56,130)
Grants receivable	121,511	(24,057)
Other receivables	3,843	183
Inventories	296,198	(103,245)
Prepaid expenses	(7,828)	5,002
Increase (decrease) in operating liabilities:		
Accounts payable	(20,775)	(32,903)
Accrued vacation payable	6,422	6,085
Deferred revenue	11,780	360
	<u>53,471</u>	<u>660,327</u>
Cash flows from investing activities		
Net proceeds from certificates of deposit	374,569	99,478
Net sale of donated investments	35,794	39,971
Net purchases of investments	(910,877)	-
Deposits to restricted investments held for endowment	(1,055)	(1,005)
Net deposits to OCF account	(131,244)	(440,815)
Purchase of property and equipment	(108,950)	(88,329)
	<u>(741,763)</u>	<u>(390,700)</u>
Net increase (decrease) in cash and cash equivalents	(688,292)	269,627
Cash and cash equivalents, beginning of year	<u>1,210,541</u>	<u>940,914</u>
Cash and cash equivalents, end of year	<u>\$ 522,249</u>	<u>\$ 1,210,541</u>

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 8,141,113 pounds and 7,596,716 pounds of food were distributed in the years ended June 30, 2013 and 2012, 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.

Basis of Accounting

The financial statements of FFLC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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. State and federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed.

Financial Instruments

Concentration of Credit Risk Due to Grants Receivable and Pledges Receivable

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, 2013 and 2012, FFLC had no significant concentrations of credit risk due to receivables.

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 2013 and 2012, bank balances exceeded FDIC insurance limits at various times during the year. At June 30, 2013 and 2012, cash balances were in excess of federally insured limits by \$112,121 and \$4,419, 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.

Certificates of Deposit

Certificates of deposit presented on the statements of financial position have original maturity of greater than three months and are held at multiple financial institutions. Certificates of deposit are presented at cost plus interest earned in the statements of financial position. Interest income earned is reported in the statements of activities as increases in unrestricted net assets.

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.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue or gain in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management considers historical write-offs when assessing the need for an allowance. As of June 30, 2013 and 2012, management considers unconditional promises to give fully collectible and therefore has elected not to record an allowance.

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.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

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.

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 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 60,000 volunteer hours per year from several thousand people. Valued at \$10 per hour, this would be \$600,000.

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 \$24,595 and \$34,634 were recorded as in-kind contributions during the years ended June 30, 2013 and 2012, respectively, and are included in the amounts listed in the table below.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

Donated Goods and Services, continued

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

	<u>2013</u>	<u>2012</u>
General food distribution	\$ 7,184	\$ 8,671
Family Dinner	17,716	53,287
Resource development	<u>89,343</u>	<u>28,794</u>
 Total donated goods and services	 <u>\$ 114,243</u>	 <u>\$ 90,752</u>

Share Contribution and USDA Reimbursement

Oregon Food Bank is the statewide distribution network for food donations. FFLC pays a share contribution fee between \$.00 and \$.07 per pound to help Oregon Food Bank offset a portion of the handling and redistribution costs they incur. FFLC no longer charges a similar 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 \$11,780 and \$11,280 for the years ended June 30, 2013 and 2012, respectively, and is included in fundraising and promotional expense on the statements of functional expenses.

2. Cash Funds

At June 30, 2013 and 2012, bank balances amounting to \$560,962 and \$1,291,783, respectively, were deposited in interest-bearing accounts and \$18,994 and \$30,000, respectively, were deposited in non-interest bearing accounts.

3. Investments

During the year ended June 30, 2013, FFLC used a portion of its unrestricted cash held in bank accounts to open an investment portfolio. Investments are stated at fair value in the statements of financial position. At June 30, 2013, investments were comprised of mutual funds in the bond and equity markets.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

4. Unconditional Promises to Give

At June 30, unconditional promises to give consisted of the following:

	2013	2012
Unconditional promises to give – Board-designated endowment	\$ 38,671	\$ 87,342
Amounts due in:		
One year	\$ 38,671	\$ 54,872
Two to five years	-	32,470
	\$ 38,671	\$ 87,342

5. 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, 2013 and 2012, was stated at \$1.39 and \$1.50 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.

6. Beneficial Interest in 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 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 increases or decreases in unrestricted net assets.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

6. Beneficial Interest in the Oregon Community Foundation, continued

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

	<u>2013</u>	<u>2012</u>
Additions:		
Interest and dividends	\$ 19,590	\$ 13,187
Contributions	153,535	435,870
Realized gains	15,056	-
Unrealized gains	<u>112,595</u>	<u>-</u>
Total additions	<u>300,776</u>	<u>449,057</u>
Expenses and reductions:		
Realized losses	-	8,576
Unrealized losses	-	18,930
Investment management fees	9,474	4,398
Approved distributions	26,750	-
Oregon Community Foundation fees	5,572	3,844
Legal expenses	<u>84</u>	<u>-</u>
Total expenses	<u>41,880</u>	<u>35,748</u>
Increase in investment	258,896	413,309
Beginning balance	<u>1,042,295</u>	<u>628,986</u>
Ending balance	<u>\$ 1,301,191</u>	<u>\$ 1,042,295</u>

7. Bank Line of Credit

On April 27, 2009, FFLC entered into a line of credit agreement with Siuslaw Bank. This agreement permits 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 rate was 5 percent at June 30, 2013 and 2012. The line of credit is collateralized by FFLC's accounts receivable, inventory, and equipment. The line of credit was renewed in November 2012 and will mature on November 2013. The balance owed on this line of credit was \$-0- at June 30, 2013 and 2012.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

8. Restrictions of Net Assets

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

	<u>2013</u>	<u>2012</u>
Food distribution:		
Donated food	\$ 582,336	\$ 968,232
USDA food	<u>107,648</u>	<u>19,946</u>
Total food distribution	689,984	988,178
For other programs	<u>199,424</u>	<u>195,645</u>
Total temporarily restricted net assets	<u>\$ 889,408</u>	<u>\$ 1,183,823</u>

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.

	<u>2013</u>	<u>2012</u>
Greg Webster Endowment	<u>\$ 45,174</u>	<u>\$ 44,125</u>

9. 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 other commodities received through Oregon Food Bank for the years ended June 30, 2013 and 2012, were valued at \$1.39 and \$1.50 per pound, respectively. FFLC has estimated the average fair market value of commodities donated by the public and Food Rescue Express to be \$1.39 and \$1.50 per pound for the years ended June 30, 2013 and 2012, respectively. 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, 2013 and 2012, was \$10,178,391 and \$10,595,056, respectively.

10. 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, 2013 and 2012, FFLC contributed \$46,805 and \$40,666, respectively, to the Plan.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

11. 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.

12. Fair Value Measurement

FFLC uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the entity's various financial instruments. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, FFLC groups its financial assets and financial liabilities generally measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

FOOD FOR LANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

12. Fair Value Measurement, continued

Level 3 – Valuation is based on unobservable inputs 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 table sets forth by level, within the fair value hierarchy, FFLC’s investments at fair value as of June 30, 2013:

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments – Mutual funds, restricted	\$ 50,863	\$ -	\$ -	\$ 50,863
Investments – Mutual funds, unrestricted	928,347	-	-	928,347
Beneficial interest in the assets of OCF	-	-	1,301,191	1,301,191
Total assets at fair value	<u>\$ 979,210</u>	<u>\$ -</u>	<u>\$ 1,301,191</u>	<u>\$ 2,280,401</u>

The following table sets forth by level, within the fair value hierarchy, FFLC’s investments at fair value as of June 30, 2012:

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments – Mutual funds, restricted	\$ 49,808	\$ -	\$ -	\$ 49,808
Beneficial interest in the assets of OCF	-	-	1,042,295	1,042,295
Total assets at fair value	<u>\$ 49,808</u>	<u>\$ -</u>	<u>\$ 1,042,295</u>	<u>\$ 1,092,103</u>

13. 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, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
<i>Food Distribution Cluster:</i>		
Passed through Oregon Food Bank, Inc.:		
Emergency Food Assistance Program - Administration	10.568	\$ 43,848
Emergency Food Assistance Program - Food Commodities	10.569	710,343
Commodity Supplemental Food Program	10.565	6,577
Passed through Oregon Department of Education:		
Summer Food Service Program for Children	10.559	<u>391,989</u>
Total U.S. Department of Agriculture		<u>1,152,757</u>
U.S. Department of Housing and Urban Development		
Passed through Lane County:		
Community Development Block Grant - City of Eugene	14.218	146,562
Community Development Block Grant - City of Springfield	14.218	<u>18,501</u>
Total U.S. Department of Housing and Urban Development		<u>165,063</u>
Total federal awards		<u>\$ 1,317,820</u>

FOOD FOR LANE COUNTY, 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 the federal grant activity of FFLC 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

FFLC provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
USDA Commodities	10.569	\$ 710,343

These commodities are passed through to over 40 qualified Section 501(c)(3) agencies who then distribute food to the poor, hungry, and needy.

3. Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed, as assigned by the USDA. At June 30, 2013, FFLC had government food commodities totaling \$107,648 in inventory.

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, 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 November 14, 2013.

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. 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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> jrcpa.com

BEND 300 SW Columbia Street
Suite 201
Bend, OR 97702
phone (541) 382-3590
fax (541) 382-3587

EUGENE 432 West 11th Avenue
Eugene, OR 97401
phone (541) 687-2320
fax (541) 485-0960

HILLSBORO 5635 NE Elam Young Pkwy.
Suite 100
Hillsboro, OR 97124
phone (503) 648-0521
fax (503) 648-2692

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 14, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2013. 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 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 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, 2013.

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Suite 100
Hillsboro, OR 97124
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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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jones & Roth, P.C.
Eugene, Oregon
November 14, 2013

FOOD FOR LANE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Summary of Auditor's Results

- The independent auditor's report expresses an unqualified opinion on the financial statements of FFLC for the year ended June 30, 2013.
- No significant deficiencies were disclosed during the audit of the financial statements of FFLC for the year ended June 30, 2013.
- 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 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 unqualified opinion on all major federal programs.
- There are no audit findings relative to the major federal award programs of FFLC that should be reported in this schedule.
- The programs tested as major programs include:
 - The Food Distribution Cluster:

Emergency Food Assistance Program - Administration	10.568
Emergency Food Assistance Program - Food Commodities	10.569
Commodity Supplemental Food Program	10.565
 - Summer Food Service Program for Children 10.559
- The threshold for distinguishing between Type A and B programs was \$300,000.
- FFLC qualified as a low-risk auditee.

Findings – Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Prior Year Findings – Financial Statements Audit

None.

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

None.