

**FOOD FOR LANE COUNTY, INC.**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT INFORMATION**

**For the Years Ended June 30, 2019 and 2018**

*Jones & Roth*

CPAs & Business Advisors

FOOD FOR LANE COUNTY, INC.  
FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION  
For the Years Ended June 30, 2019 and 2018

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section:	
Board of Directors	i
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 20
Single Audit Information:	
Schedule of Expenditures of Federal Awards	21 - 22
Notes to Schedule of Expenditures of Federal Awards	23
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 <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	26 - 27
Schedule of Findings and Questioned Costs	28 - 29
Summary Schedule of Prior Audit Findings	30
Corrective Action Plan	31

## INTRODUCTORY SECTION

FOOD FOR LANE COUNTY, INC.  
BOARD OF DIRECTORS  
June 30, 2019

Linda Eaton  
Chair

Mike Drennan  
Vice Chair

Stephen Mallery  
Treasurer

Benj Epstein  
Development Chair

Rachel Ulrich  
Secretary

Diana Bray  
Director at Large

Liz Dowdy  
Director

Keri Garcia  
Director

Greg Hazarabedian  
Director

Justin King  
Director

Tiffany Mellow  
Director

Katharine Ryan  
Director

Charles Stanton  
Director

Sarah Stapleton  
Director

Jossi Stokes  
Director

Boris Wiedenfeld-Needham  
Director

Dr. Thomas K. Wuest  
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, 2019 and 2018, 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.

## 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, 2019 and 2018, 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 October 10, 2019 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  
October 10, 2019

## FINANCIAL STATEMENTS

FOOD FOR LANE COUNTY, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,000,055	\$ 1,408,002
Investments (Note 3)	1,330,577	1,184,776
Grants and program receivables	328,685	262,932
Bequest receivable	634,364	-
Promises to give receivable, current (Note 4)	507,703	416,835
Inventory (Note 5)	1,019,533	981,772
Prepaid expenses	52,093	52,340
Total current assets	4,873,010	4,306,657
<b>Property and equipment</b>		
Buildings	5,352,032	5,054,900
Land	696,492	696,492
Leasehold improvements	28,384	28,384
Equipment	653,613	561,049
Vehicles	535,069	550,067
Intangible assets	36,959	-
Construction in process	2,614,323	134,098
	9,916,872	7,024,990
Accumulated depreciation	(2,350,058)	(2,164,799)
Property and equipment, net	7,566,814	4,860,191
<b>Other assets</b>		
Beneficial interest in the assets of the Oregon Community Foundation (OCF) (Note 6)	1,583,341	1,543,586
Promises to give receivable, long-term	167,300	72,328
Restricted investments held for endowment fund	62,567	60,473
Total other assets	1,813,208	1,676,387
<b>Total assets</b>	<b>\$ 14,253,032</b>	<b>\$ 10,843,235</b>



	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities	\$ 127,492	\$ 198,902
Accounts payable, construction	610,423	-
Accrued payroll, vacation and related payroll liabilities	179,498	198,375
Current maturities of long-term debt	<u>39,300</u>	<u>37,900</u>
Total current liabilities	956,713	435,177
<b>Long-term liabilities</b>		
Long-term debt, net of current maturities (Note 7)	<u>1,735,808</u>	<u>1,503,404</u>
Total liabilities	<u>2,692,521</u>	<u>1,938,581</u>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	1,863,999	1,161,929
Held as property and equipment, net of debt	5,791,706	3,318,887
Board-designated endowment (Note 6)	1,583,341	1,543,586
Board-designated capital campaign reserve (Note 9)	<u>334,100</u>	<u>250,000</u>
Total without donor restrictions	9,573,146	6,274,402
With donor restrictions (Note 10)	<u>1,987,365</u>	<u>2,630,252</u>
Total net assets	<u>11,560,511</u>	<u>8,904,654</u>
<b>Total liabilities and net assets</b>	<u>\$ 14,253,032</u>	<u>\$ 10,843,235</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, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions and promises to give	\$ 2,984,006	\$ 236,479	\$ 3,220,485
Capital campaign contributions	-	1,683,760	1,683,760
Corporate and foundation grants	333,975	712,657	1,046,632
Government grants and contracts	858,026	491,237	1,349,263
Wholesale revenue and program sales	210,657	-	210,657
Donated goods and services	139,453	89,600	229,053
Donated goods and services - capital campaign contributions	-	181,918	181,918
Donated food (Note 11)	-	10,245,427	10,245,427
Government commodities (Note 11)	-	1,531,026	1,531,026
Miscellaneous income	59,221	-	59,221
Investment and interest income, net	69,820	5,269	75,089
Change in beneficial interest in the assets of the OCF	103,533	-	103,533
Net assets released from restrictions	<u>15,820,260</u>	<u>(15,820,260)</u>	<u>-</u>
 Total revenue and other support	 <u>20,578,951</u>	 <u>(642,887)</u>	 <u>19,936,064</u>
 <b>Expenses</b>			
Food & hunger programs	15,818,540	-	15,818,540
Resource development	1,042,132	-	1,042,132
Administration	<u>419,535</u>	<u>-</u>	<u>419,535</u>
 Total expenses	 <u>17,280,207</u>	 <u>-</u>	 <u>17,280,207</u>
 <b>Change in net assets</b>	 3,298,744	 (642,887)	 2,655,857
 Net assets, beginning of year	 <u>6,274,402</u>	 <u>2,630,252</u>	 <u>8,904,654</u>
 Net assets, end of year	 <u>\$ 9,573,146</u>	 <u>\$ 1,987,365</u>	 <u>\$ 11,560,511</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,527,827	\$ 260,344	\$ 2,788,171
-	1,556,146	1,556,146
255,551	486,497	742,048
741,797	418,110	1,159,907
193,246	-	193,246
116,722	33,293	150,015
-	-	-
-	9,791,932	9,791,932
-	824,303	824,303
102,608	-	102,608
61,420	-	61,420
124,925	-	124,925
<u>12,590,210</u>	<u>(12,590,210)</u>	<u>-</u>
<u>16,714,306</u>	<u>780,415</u>	<u>17,494,721</u>
14,526,860	-	14,526,860
903,583	-	903,583
<u>429,696</u>	<u>-</u>	<u>429,696</u>
<u>15,860,139</u>	<u>-</u>	<u>15,860,139</u>
854,167	780,415	1,634,582
<u>5,420,235</u>	<u>1,849,837</u>	<u>7,270,072</u>
<u>\$ 6,274,402</u>	<u>\$ 2,630,252</u>	<u>\$ 8,904,654</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, 2019 and 2018

	2019			
	Food & Hunger Programs	Resource Development	Administration	Total
<b>Operating expenses</b>				
Personnel expenses:				
Salaries	\$ 1,945,959	\$ 404,318	\$ 278,781	\$ 2,629,058
Payroll taxes	173,628	30,748	32,190	236,566
Health and pension benefits	387,818	69,914	29,806	487,538
Total personnel expenses	2,507,405	504,980	340,777	3,353,162
Non-personnel expenses:				
Donated goods distributed	11,719,710	-	-	11,719,710
Food purchases	635,157	-	-	635,157
Non-food purchases	10,865	-	-	10,865
Delivery and vehicle expenses	87,547	3	15	87,565
Program supplies and services	181,216	1,484	1,036	183,736
Insurance	17,033	2,546	3,744	23,323
Facilities rental	6,235	-	-	6,235
Repairs and maintenance	34,588	2,204	1,940	38,732
Equipment, rentals, and leases	44,935	3,492	1,794	50,221
Office expense	13,997	3,770	3,488	21,255
Telecommunications	16,816	1,494	1,351	19,661
Dues, publications, and awards	1,554	1,035	2,212	4,801
Travel, training, and conferences	30,814	1,507	9,550	41,871
Consultants and contractual services	88,595	22,149	35,148	145,892
Special events, direct mail, and promotional	2,076	289,134	-	291,210
Utilities	101,568	2,599	1,999	106,166
Miscellaneous	17,022	1,000	9,554	27,576
Grants to partner agencies	5,630	-	-	5,630
Capital campaign expenses	-	91,404	-	91,404
In-kind services and supplies	24,212	104,042	1,198	129,452
Interest expense	62,729	-	-	62,729
Depreciation and amortization	208,836	9,289	5,729	223,854
Total non-personnel expenses	13,311,135	537,152	78,758	13,927,045
<b>Total operating expenses</b>	<b>\$ 15,818,540</b>	<b>\$ 1,042,132</b>	<b>\$ 419,535</b>	<b>\$ 17,280,207</b>

2018

Food & Hunger Programs	Resource Development	Administration	Total
\$ 1,787,861	\$ 370,064	\$ 300,992	\$ 2,458,917
157,756	27,539	27,197	212,492
<u>368,920</u>	<u>65,800</u>	<u>34,453</u>	<u>469,173</u>
<u>2,314,537</u>	<u>463,403</u>	<u>362,642</u>	<u>3,140,582</u>
10,718,565	-	-	10,718,565
637,893	-	-	637,893
9,619	-	-	9,619
88,177	-	66	88,243
160,587	1,413	909	162,909
22,233	3,169	514	25,916
16,229	-	-	16,229
28,821	2,783	1,907	33,511
35,507	3,457	6,415	45,379
10,753	1,031	3,327	15,111
15,274	1,387	1,713	18,374
1,564	1,095	2,842	5,501
32,203	2,409	7,340	41,952
45,700	14,421	13,747	73,868
2,315	248,947	-	251,262
100,735	2,516	1,724	104,975
7,877	1,584	19,639	29,100
2,216	-	-	2,216
-	71,490	-	71,490
27,580	76,126	1,374	105,080
58,933	-	-	58,933
<u>189,542</u>	<u>8,352</u>	<u>5,537</u>	<u>203,431</u>
<u>12,212,323</u>	<u>440,180</u>	<u>67,054</u>	<u>12,719,557</u>
<u>\$ 14,526,860</u>	<u>\$ 903,583</u>	<u>\$ 429,696</u>	<u>\$ 15,860,139</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,655,857	\$ 1,634,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	223,854	203,431
Loss on asset disposal	548	10,714
Donated property and equipment	(230,293)	(41,439)
Realized and unrealized gains on investments	(14,099)	(26,441)
Net change in beneficial interest in the assets of OCF	(103,533)	(124,925)
Contribution of investments	(63,747)	(213,941)
(Increase) decrease in operating assets:		
Grants and program receivables	(65,753)	(55,567)
Bequest receivable	(634,364)	-
Promises to give receivable	(185,840)	(489,163)
Inventory	(37,761)	90,575
Prepaid expenses	247	21,148
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(71,410)	50,669
Accrued payroll, vacation, and related payroll liabilities	(18,877)	23,869
Net cash provided by operating activities	<u>1,454,829</u>	<u>1,083,512</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(286,442)	(365,651)
Proceeds from sales of investments	218,487	442,222
Net change in restricted investments held for endowment	(2,094)	2,953
Proceeds from beneficial interest in assets of OCF	63,778	63,634
Proceeds from sale of equipment	150	12,000
Purchase of property and equipment	<u>(2,090,459)</u>	<u>(2,290,020)</u>
Net cash used by investing activities	<u>(2,096,580)</u>	<u>(2,134,862)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	272,124	1,575,000
Principal payments on long-term debt	<u>(38,320)</u>	<u>(33,696)</u>
Net cash provided by financing activities	<u>233,804</u>	<u>1,541,304</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(407,947)	489,954
Cash and cash equivalents, beginning of year	<u>1,408,002</u>	<u>918,048</u>
Cash and cash equivalents, end of year	<u>\$ 1,000,055</u>	<u>\$ 1,408,002</u>

**Supplemental disclosure of cash flow information**

Cash paid for interest	\$ <u>62,729</u>	\$ <u>58,933</u>
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**Supplemental disclosure of noncash investing and financing activities**

Total increase in property and equipment	\$ 2,931,175	\$ 2,331,459
Donated property and equipment	(230,293)	(41,439)
Capitalized amounts included in accounts payable	<u>(610,423)</u>	<u>-</u>
Cash paid for purchase of property and equipment	<u>\$ 2,090,459</u>	<u>\$ 2,290,020</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 8,295,000 pounds and 7,966,000 pounds of food were distributed in the years ended June 30, 2019 and 2018, 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.

**Recent Accounting Standard Adopted**

During the year ended June 30, 2019, FFLC adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. The standard was applied on a retrospective basis. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The June 30, 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

**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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**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.



FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. Organization and Summary of Significant Accounting Policies, continued**

**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. As of June 30, 2019, receivables from four agencies accounted for 77 percent of the total grants and program receivable balance. As of June 30, 2018, receivables from two agencies accounted for 63 percent of the total grants and program receivable balance. Concentrations of credit risk with respect to pledges receivable are limited to supporters of FFLC. As of June 30, 2019, the bequest receivable was due from one donor.

***Concentrations of Credit Risk Arising From 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 2019 and 2018, bank balances exceeded FDIC insurance limits at various times during the year. At June 30, 2019, and 2018, cash balances held in excess of federally insured limits were \$675,909 and \$241,821, respectively.

Additionally, FFLC maintains investment and cash equivalent balances which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 at each financial institution. Balances exceeded SIPC insurance limits at various times during the year. At June 30, 2019, and 2018, investment and cash equivalent balances held in excess of insured limits were \$841,873 and \$1,544,478, respectively.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, FFLC considers all highly liquid investments with an initial maturity of three months or less and without donor restriction to be cash equivalents. Cash and cash equivalents include savings, checking accounts, money market funds, 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 net assets without donor restriction, 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, 2019 and 2018, management considers the amounts fully collectible; therefore, management has elected not to record an allowance. Receivables are not secured.

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. Organization and Summary of Significant Accounting Policies, continued**

**Promises to Give Receivable**

Promises to give receivable are uncollateralized and recognized when the unconditional promises to give are made. Management has assessed the collectability of promises to give receivable and as of June 30, 2019 and 2018, management considers the amount fully collectible; therefore, management has elected not to record an allowance. Promises to give receivable are stated at the amount FFLC expects to collect.

**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 \$2,500 or more are capitalized.

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 net assets without donor restrictions 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. FFLC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Revenue and Support**

*Contributions and grants* – Contribution and grant revenue is recognized when the contribution or grant is promised or made and are recorded as support that is either with or without donor restrictions. Classifications based on the existence and nature of any donor restrictions on the contribution. Support that is restricted by the donor is reported as restricted revenue and is released to net assets without donor restrictions when the restriction is met. Contract revenue is recognized when services are provided under the terms of the contract; contract revenue is considered to be without donor restrictions.

*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 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. During the year ended June 30, 2019, FFLC received approximately 75,000 volunteer hours from several thousand people. Valued at \$14 per hour, this would be \$1,050,000. During the year ended June 30, 2018, FFLC received approximately 74,000 volunteer hours from several thousand people. Valued at \$13 per hour, this would be \$962,000.

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. Organization and Summary of Significant Accounting Policies, continued**

**Revenue and Support, continued**

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. For the years ended June 30, 2019 and 2018, respectively, total donated goods and services, excluding donated food and government commodities, were comprised of:

	2019	2018
Donated goods, excluding food and government commodities	\$ 351,529	\$ 114,242
Donated services	59,442	35,773
Total donated goods and services	\$ 410,971	\$ 150,015

In-kind contributions for the years ended June 30, 2019 and 2018, include capital campaign contributions in the amounts of \$181,918 and \$1,997, respectively.

**Share Contribution and USDA Reimbursement**

Oregon Food Bank is the statewide distribution network for food donations. FFLC pays a share contribution fee at \$.04 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 or support area.

**Advertising Costs**

FFLC's advertising costs are expensed as incurred. Advertising costs totaled \$36,078 and \$22,759 for the years ended June 30, 2019 and 2018, respectively, and are included in fundraising and promotional expense on the statements of functional expenses.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassification had no effect on previously reported net assets or change in net assets.

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**2. Liquidity and Availability of Resources**

FFLC has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. The following table reflects FFLC's financial assets (cash, investments, and receivables) as of June 30, 2019, reduced by amounts not available for general expenditures within one year:

	2019
Total financial assets	\$ 4,031,251
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	(1,355,533)
Perpetual endowment	(48,017)
Board designations	(334,100)
Financial assets available for general expenditure	\$ 2,293,601

Additionally, FFLC has access to a revolving line of credit up to \$400,000 that may be drawn upon to manage cash flow (Note 8).

Subsequent to year-end, the Board designated \$600,000 from a large bequest from a Garden Program donor to be used for ongoing Garden Program operations and future capital improvements.

**3. Investments**

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

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

	2019	2018
Interest and dividends	\$ 67,511	\$ 41,238
Unrealized gains	14,099	26,619
Realized losses	(205)	(179)
Investment expenses	(6,316)	(6,259)
Total investment and interest income, net	\$ 75,089	\$ 61,420

**4. Promises to Give Receivable**

Promises to give receivable are restricted for use in rehabilitation of a second warehouse for FFLC. At June 30, promises to give receivable consisted of the following:

	2019	2018
Amounts due in:		
Less than one year	\$ 507,703	\$ 416,835
One to five years	167,300	72,328
Total promises to give receivable	\$ 675,003	\$ 489,163

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**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, 2019 and 2018, was stated at \$1.68 and \$1.54 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 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 grants without donor restriction 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 supermajority 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 net assets without donor restrictions.

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 beneficial interest in the assets of OCF and is considered without donor restriction.

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 11,685	\$ 12,115
Realized gains	2,871	20,093
Unrealized gains	100,473	104,755
Investment management and OCF fees	<u>(11,496)</u>	<u>(12,038)</u>
Net change before distributions	103,533	124,925
Approved distributions to FFLC	<u>(63,778)</u>	<u>(63,634)</u>
Net increase in beneficial interest	39,755	61,291
Beginning balance	<u>1,543,586</u>	<u>1,482,295</u>
Ending balance	<u>\$ 1,583,341</u>	<u>\$ 1,543,586</u>

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**7. Long-term Debt**

At June 30, long-term debt consisted of the following:

	2019	2018
Mortgage note payable, Umpqua Bank, with monthly installments of \$8,421, including interest at 4.06%, due July 2027, secured by real property.	\$ 1,502,984	\$ 1,541,304
Construction note payable, Umpqua Bank, maximum amount of \$2,000,000, with 4.40% interest only payments until April 2021, with maximum monthly installments of \$11,077 thereafter until maturity in March 2025, secured by real property.	272,124	-
	1,775,108	1,503,404
Current maturities	(39,300)	(37,900)
Long-term debt, net of current maturities	\$ 1,735,808	\$ 1,503,404

The mortgage note payable to Umpqua Bank requires certain covenants related to cash flow, debt service coverage, and financial reporting to the lending institution. FFLC's management believes it was in compliance with all relevant covenants as of June 30, 2019.

The following are amounts of maturities for the mortgage note payable for each of the next five years:

<u>Year Ending June 30,</u>	
2020	\$ 39,300
2021	41,100
2022	42,900
2023	44,700
2024	46,400
Thereafter	1,288,584
Total	\$ 1,502,984

The construction note payable is still being drawn down and future maturities are indeterminable at this time.

**8. Bank Line of Credit**

FFLC had a line of credit agreement with Columbia Bank which permitted borrowings of up to \$400,000 at a variable interest rate equal to the lender's prime rate. The interest rate was 4.25 percent at June 30, 2017. The line of credit was collateralized by FFLC's accounts receivable, inventory, and equipment. The line of credit matured in October 2017 and management elected not to renew the line.

In July 2017, FFLC entered into a line of credit agreement with Umpqua Bank which permits borrowings of up to \$400,000 at a variable interest rate equal to the lender's prime rate, which was 5.50 percent at June 30, 2019. The line matures in July 2020. 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, 2019.

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**9. Board Designated Net Assets**

In addition to the Board-designated endowment fund held with OCF (Note 6), during the year ended June 30, 2019 and 2018, FFLC's Board of Directors voted to designate \$190,000 and \$250,000, respectively, of accumulated net operating assets without donor restriction towards use in the capital campaign related to the Broadway warehouse acquisition and renovation. At June 30, 2019 and 2018, \$334,100 and \$250,000, respectively, of these net assets had yet to be spent and remained as board designated net assets without donor restriction as of the balance sheet date.

Subsequent to year-end, the Board designated \$600,000 from a large bequest from a Garden Program donor to be used for ongoing Garden Program operations and future capital improvements.

**10. Restrictions of Net Assets**

At June 30, net assets with donor restrictions were available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Food distribution:		
Donated food inventory	\$ 783,491	\$ 837,948
USDA food inventory	<u>223,396</u>	<u>111,988</u>
Total food distribution	1,006,887	949,936
Meals on Wheels program	468,664	513,461
Capital campaign	-	902,433
For other programs	<u>463,797</u>	<u>216,405</u>
Total net assets with purpose restrictions	1,939,348	2,582,235
Perpetual endowment	<u>48,017</u>	<u>48,017</u>
Total net assets with donor restrictions	<u>\$ 1,987,365</u>	<u>\$ 2,630,252</u>

The income from the perpetual endowment assets is donor restricted and can be used to hire a part-time physically or mentally disabled individual to assist in the warehouse.

**11. 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, 2019 and 2018, were valued at estimated fair market value at the date of donation. For the years ended June 30, 2019 and 2018, the estimated fair market values used to record food donations was \$1.68 and \$1.54, respectively, per pound. Inventory of current year food donations not distributed is reflected as net assets with donor restrictions. Total estimated value of donated food and commodities received during the years ended June 30, 2019 and 2018, was \$11,776,453 and \$10,616,235, respectively.

FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

## 12. 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, 2019 and 2018, FFLC contributed \$59,328 and \$56,569, respectively, to the Plan.

## 13. 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 there are no such unallowable costs.

## 14. 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.
- 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.



FOOD FOR LANE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS

**14. Fair Value Measurement, continued**

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:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments – mutual funds	\$ 64,854	\$ -	\$ -	\$ 64,854
Investments – bond mutual funds	721,108	-	-	721,108
Investments – equity mutual funds	607,182	-	-	607,182
Beneficial interest in the assets of OCF	-	-	1,583,341	1,583,341
<b>Total assets at fair value</b>	<b><u>\$ 1,393,144</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,583,341</u></b>	<b><u>\$ 2,976,485</u></b>

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments – mutual funds	\$ 62,573	\$ -	\$ -	\$ 62,573
Investments – bond mutual funds	621,477	-	-	621,477
Investments – equity mutual funds	561,199	-	-	561,199
Beneficial interest in the assets of OCF	-	-	1,543,586	1,543,586
<b>Total assets at fair value</b>	<b><u>\$ 1,245,249</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,543,586</u></b>	<b><u>\$ 2,788,835</u></b>

**15. Commitments**

FFLC entered into an agreement with a construction contractor for improvements to the West Broadway warehouse location. The maximum amount under the contract is \$2,975,557 of which \$2,066,506 had been billed, including retainage, as of June 30, 2019.

**16. 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, 2019

<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>
<b>U.S. Department of Agriculture</b>				
Passed through Lane County:				
Special Supplemental Nutrition Program for Women, Infants and Children	51504	10.557	\$ <u>4,600</u>	\$ <u>-</u>
<b>SNAP Cluster:</b>				
Passed through Oregon Food Bank, Inc.:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	<u>15,521</u>	<u>-</u>
<b>Food Distribution Cluster:</b>				
Passed through Oregon Food Bank, Inc.:				
Commodity Supplemental Food Program		10.565	138,971	-
Emergency Food Assistance Program - Administration		10.568	61,693	-
Emergency Food Assistance Program - Food Commodities		10.569	<u>1,302,739</u>	<u>1,299,375</u>
Total Food Distribution Cluster			<u>1,503,403</u>	<u>1,299,375</u>
<b>Child Nutrition Cluster:</b>				
Passed through Oregon Department of Education:				
Summer Food Service Program for Children	2006004	10.559	<u>239,773</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,763,297</u>	<u>1,299,375</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster:</b>				
Passed through Lane County:				
Community Development Block Grant - City of Eugene	53464	14.218	146,562	-
Community Development Block Grant - City of Springfield	53461	14.218	<u>19,770</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>166,332</u>	<u>-</u>

FOOD FOR LANE COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
For the Year Ended June 30, 2019

<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>
<b>U.S. Department of Health and Human Services</b>				
<i><b>Aging Cluster:</b></i>				
Passed through Lane Council of Governments:				
Older Americans Act		93.045	127,912	-
Nutrition Services Incentive Program		93.053	<u>30,138</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>158,050</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Passed through Lane County Emergency Food and Shelter Board:				
Emergency Food and Shelter National Program	712800	97.024	<u>60,757</u>	<u>-</u>
Total federal awards			<u>\$ 2,148,436</u>	<u>\$ 1,299,375</u>

FOOD FOR LANE COUNTY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of FOOD for Lane County, Inc. (FFLC) under programs of the federal government for the year ended June 30, 2019. 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, 2019, FFLC had government food commodities totaling \$223,396 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, 2019, 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 October 10, 2019.

**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 FOOD for Lane County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

## **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.



Jones & Roth, P.C.  
Eugene, Oregon  
October 10, 2019

**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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; 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.

**The Right People Beside You.**

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### ***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, 2019.

### **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

FOOD for Lane County, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. FOOD for Lane County, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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  
October 10, 2019

FOOD FOR LANE COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019

**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.
- One significant deficiency 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.
- Audit findings or questioned costs that are required to be reported in accordance with the Uniform Guidance are included in this schedule.
- The programs tested as major programs include:

Food Distribution Cluster:	CFDA #
Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program – Administration	10.568
Emergency Food Assistance Program – Food Commodities	10.569
Child Nutrition Cluster:	
Summer Food Service Program for Child Nutrition	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.

FOOD FOR LANE COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended June 30, 2019

**Findings and Questioned Costs – Major Federal Award Programs Audit**

**Finding 2019-001**

*Type of Finding:* Significant deficiency in internal controls over compliance

*Federal program:* Child Nutrition Cluster - Summer Food Service Program for Child Nutrition (CFDA #10.559)

*Federal Agency:* U.S. Department of Agriculture

*Pass-through Entity:* Oregon Department of Education

*Criteria:* In accordance with the Uniform Guidance 2 CFR Part 200.318, non-federal entities must have documented procurement procedures that conform to the Uniform Guidance 2 CFR 200 Parts 318 through 326.

*Condition:* During audit procedures, we noted FOOD for Lane County, Inc. had not revised its procurement policy to conform to the requirements as outlined in 2 CFR Part 200 sections 318 through 326, specifically the methods of procurement to be followed pursuant to 2 CFR Part 200.320.

*Cause:* There were not adequate internal controls over compliance in place to ensure the procurement policy was updated as required by the Uniform Guidance.

*Effect:* The deficiency in internal controls over compliance could lead to material non-compliance with compliance requirements of the federal award and the Uniform Guidance.

*Questioned Costs:* None.

*Repeat Finding:* No.

*Recommendation:* We recommend FOOD for Lane County, Inc. update its procurement policy to conform to the requirements contained in 2 CFR 200 Parts 318 through 326.

FOOD FOR LANE COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2019

**Prior Year Findings – Financial Statements Audit**

None.

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

None.



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Effective immediately after our Oregon Department of Education (“ODE”) procurement review over the Summer Food Program (“SFP”), the Management Team of FOOD for Lane County (“FFLC”) enacted the following Corrective Action Plan:

1. FFLC adopted the Uniform Guidance-compliant ODE template for *SFP Procurement Procedures & Code of Conduct*. As part of this change, we also adopted a *Micro Purchase Documentation Form* provided by the ODE.
2. When soliciting bids, FFLC will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured for the program. We will identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids.
3. FFLC adopted the *Informal Procurement Log & Evaluation Matrix* provided by the ODE. We will develop specifications, terms & conditions for purchases; identify at least 3 potential sources – including efforts to include small, minority, women & labor surplus firms; and evaluate all responses to ensure that responders are responsible and responsive with all aspects of the specifications. We will document each bid, even if it was offered in a face-to-face meeting. These processes will be used for all SFP small purchases.

In order to mitigate a similar issue from coming up in the future, FFLC’s Management Team will review new modifications to the Uniform Guidance, assess its impact on our related adopted policies and procedures, and update our policies as necessary.

The people within FFLC’s Management Team responsible for carrying out this Corrective Action Plan are Rozlyn Fox, *Programs & Services Director*, and Dan Temmesfeld, *Director of Finance*.

The anticipated completion date for this corrective action is September 2019.

Sincerely,

*FOOD for Lane County Management*



FOOD for Lane County is an equal opportunity provider and a member of

