

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 2015

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marion-Polk Food Share, Inc.
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Marion-Polk Food Share, Inc. (MPFS) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 MPFS' 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 MPFS' 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 Marion-Polk Food Share, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited MPFS' June 30, 2015 financial statements, and our report dated March 24, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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, 2016, on our consideration of MPFS' 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 MPFS' internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

November 14, 2016

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 (With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 512,134	\$ 996,192
Client receivables	104,843	68,886
Grant and contracts receivable	160,986	148,710
Prepaid expenses	118,740	69,247
Commodity inventory	1,127,308	933,838
	<hr/>	<hr/>
<i>Total Current Assets</i>	2,024,011	2,216,873
Investments	1,277,889	1,240,724
Property and Equipment, net of accumulated depreciation	3,208,898	3,125,695
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 6,510,798</u>	<u>\$ 6,583,292</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 109,861	\$ 88,572
Accrued payroll liabilities	77,359	136,683
Unearned revenue	61,940	48,641
	<hr/>	<hr/>
<i>Total Liabilities</i>	249,160	273,896
Net Assets		
Unrestricted		
Undesignated, available for general activities	836,800	1,082,391
Net investment in property and equipment	3,208,898	3,125,695
Designated by the governing board		
Commodity inventory	1,127,308	933,838
Endowment - OCF	627,716	658,499
	<hr/>	<hr/>
<i>Total Unrestricted</i>	5,800,722	5,800,423
Temporarily restricted	224,981	374,573
Permanently restricted - OCF	235,935	134,400
	<hr/>	<hr/>
<i>Total Net Assets</i>	6,261,638	6,309,396
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,510,798</u>	<u>\$ 6,583,292</u>

The accompanying notes are an integral part of the financial statements.

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2016 (With Comparative Totals for 2015)**

	2016			2015	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
SUPPORT AND REVENUE					
Donations including fundraisers, grants, contracts	\$ 2,776,180	\$ 461,885	\$ 101,535	\$ 3,339,600	3,677,743
Donated food/USDA commodities	8,773,382	-	-	8,773,382	8,016,487
Interest and dividends	16,205	-	-	16,205	12,164
Realized/unrealized gains (losses)	(35,371)	-	-	(35,371)	(2,101)
Home delivered meals	391,484	-	-	391,484	174,478
Food service	110,957	-	-	110,957	60,244
Miscellaneous revenue	47,197	-	-	47,197	81,912
Excess of assets acquired over liabilities assumed in donation of Salem Keizer Meals on Wheels	-	-	-	-	115,431
<i>Total Support and Revenue</i>	12,080,034	461,885	101,535	12,643,454	12,136,358
ASSETS RELEASED FROM RESTRICTIONS	611,477	(611,477)	-	-	-
EXPENSES					
<i>Program Services</i>					
Emergency food	10,301,048	-	-	10,301,048	10,586,722
Community gardens/youth farm	406,948	-	-	406,948	217,805
Meals on wheels	628,249	-	-	628,249	319,419
<i>Support Services</i>					
Admin	484,333	-	-	484,333	468,610
Fundraising	870,634	-	-	870,634	801,853
<i>Total Expenses</i>	12,691,212	-	-	12,691,212	12,394,409
CHANGE IN NET ASSETS	299	(149,592)	101,535	(47,758)	(258,051)
NET ASSETS, Beginning of year	5,800,423	374,573	134,400	6,309,396	6,567,447
NET ASSETS, End of year	\$ 5,800,722	\$ 224,981	\$ 235,935	\$ 6,261,638	\$ 6,309,396

The accompanying notes are an integral part of the financial statements.

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2016 (With Comparative Totals for 2015)**

<i>Account Description</i>	2016			
	<i>Emergency Food</i>	<i>Community Gardens/ Youth Farm</i>	<i>Meals on Wheels</i>	<i>Total Program Activity</i>
Food distributed (donated)	\$ 8,563,728	\$ -	\$ -	\$ 8,563,728
Food purchased	229,860	-	165,831	395,691
Salaries and related expenses	908,648	209,927	323,766	1,442,341
Contracts and professional fees	49,847	61,982	6,752	118,581
Supplies, printing, and postage	26,937	17,576	10,118	54,631
Program Supplies	46,795	37,763	38,744	123,302
Gift in-kind expenses	2,693	44,599	25	47,317
Network development	4,849	-	-	4,849
Occupancy expenses	142,870	8,159	29,644	180,673
Equipment and vehicle expenses	88,396	15,545	5,578	109,519
Meetings and travel expenses	20,793	1,640	3,018	25,451
Volunteer and donor development	4,015	379	499	4,893
Advertising and marketing	2,284	966	355	3,605
Event expenses	1,123	-	51	1,174
Computer expenses	26,523	2,863	5,434	34,820
Membership dues	150	495	298	943
Bank fees	1	5	653	659
Liability insurance expense	-	-	-	-
Other expenses	491	-	31,057	31,548
Total Expenses before Depreciation	10,120,003	401,899	621,823	11,143,725
Depreciation	181,045	5,049	6,426	192,520
Total Expenses	\$ 10,301,048	\$ 406,948	\$ 628,249	\$ 11,336,245

2016

<i>Admin</i>	<i>Fundraising</i>	<i>Total</i>	<i>2015</i> <i>Total</i>
\$ -	\$ -	\$ 8,563,728	\$ 8,752,842
-	249	395,940	421,234
324,447	563,961	2,330,749	1,971,471
51,064	542	170,187	142,502
13,195	152,727	220,553	212,446
-	11	123,313	95,226
279	-	47,596	88,545
-	-	4,849	11,333
6,795	7,664	195,132	142,705
1,043	584	111,146	91,334
7,749	6,434	39,634	50,568
6,685	8,194	19,772	11,654
1,703	39,605	44,913	20,602
-	25,377	26,551	37,108
18,325	23,066	76,211	68,943
439	3,275	4,657	2,629
6,311	25,115	32,085	27,242
32,296	-	32,296	25,524
831	-	32,379	11,899
471,162	856,804	12,471,691	12,185,807
13,171	13,830	219,521	208,602
\$ 484,333	\$ 870,634	\$ 12,691,212	\$ 12,394,409

The accompanying notes are an integral part of the financial statements.

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF CASH FLOWS***YEAR ENDED JUNE 30, 2016 (With Comparative Totals for 2015)*

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from activities	\$ 3,845,648	\$ 3,919,015
Cash paid to suppliers	(1,589,238)	(1,418,619)
Cash paid to employees	(2,390,075)	(1,939,707)
	<u>(133,665)</u>	<u>560,689</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(302,724)	(309,511)
Sales of investments	16,169	2,516
Contributions to Oregon Community Foundation	(101,535)	(3,634)
Distributions from Oregon Community Foundation	37,697	34,356
Cash received from acquisition of Meals on Wheels	-	3,199
	<u>(350,393)</u>	<u>(273,074)</u>
<i>Net Cash Used in Investing Activities</i>		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(484,058)	287,615
CASH AND CASH EQUIVALENTS, Beginning of year	996,192	708,577
	<u>996,192</u>	<u>708,577</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 512,134</u>	<u>\$ 996,192</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (47,758)	(258,051)
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation	219,521	208,602
Non-cash change in investments	10,504	(5,003)
Change in commodity inventory	(193,470)	736,355
Acquisition of Meals on Wheels	-	(115,431)
<i>Increase (decrease) in cash due to changes in assets and liabilities:</i>		
Accounts receivable	(35,957)	(22,341)
Grants receivable	(12,276)	(88,897)
Prepaid expenses	(49,493)	12,983
Unearned revenue	13,299	30,816
Accounts payable and accrued expenses	(38,035)	61,656
	<u>(133,665)</u>	<u>560,689</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		
NON-CASH TRANSACTIONS		
Food commodities received	\$ 8,773,382	\$ 8,016,487

The accompanying notes are an integral part of the financial statements.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

NATURE OF THE ORGANIZATION

Marion-Polk Food Share, Inc. (MPFS) is a tax-exempt organization that provides emergency food to the residents of Marion and Polk Counties through distribution to 104 member agencies. The member agencies, in turn, distribute food directly to the needy within their communities through food box programs and emergency meal sites. Donated, purchased and USDA commodities are equitably distributed to the member agencies from the MPFS warehouse. MPFS also operates a local Meals on Wheels program that distributes meals to senior or disabled individuals for a fee. This program also operates a café at a local senior center.

MPFS is funded by local donations, USDA commodity reimbursement funds for distribution costs, the City of Salem Emergency Food Contract, FEMA (federal emergency funds for food purchases), private and corporate donors, and fees for delivered meals. Cost reimbursement arrangements, primarily involving USDA surplus commodities, are subject to annual renewal by the Congress of the United States.

During the years ended June 30, 2016 and 2015, MPFS distributed (unaudited) 8,245,782 and 8,228,341 pounds of food, respectively.

Unpaid volunteers have contributed substantial hours of their time in assisting, developing and operating MPFS, principally with special food drives and food distribution. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. The contributed hours (unaudited) consisted of 65,246 for 2016 and 71,627 for 2015.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of MPFS are prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Cash

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with original maturities of three months or less.

Investments

MPFS carries all investments in debt securities and investments in equity securities with readily determinable fair values at fair value in the statement of financial position, with realized and unrealized gains and losses being reflected in the statement of activities. Included in the fair value basis of investments are realized gains and losses, plus reinvested interest and dividends, less administrative fees. Fair value is reported by nationally recognized brokerage firms and the Oregon Community Foundation and is based on quoted market prices in active markets.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Client receivables

Client receivables consist of meals provided to Meals on Wheels clients. MPFS writes off the receivables when they are determined to be uncollectible based on periodic review of the accounts by management.

Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Commodity Inventory/Donated Food

Inventory consists of donated food and grocery products, U.S. Department of Agriculture (USDA) commodities, and purchased product. Donated goods inventory is stated at the estimated wholesale fair market value. USDA commodities are stated at the value provided by the Department of Agriculture. Donated food inventories are stated at \$1.25 per pound as of June 30, 2016 and 2015. These rates are calculated by Oregon Food Bank and Feeding America. The rates are adopted by the Board of Directors as a fixed price per pound rate. Purchased food is stated at cost on an average cost basis.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Buildings and building improvements are depreciated over 5 to 39 years and furniture and equipment are depreciated over 3 to 39 years.

Accrued Vacation

Vacation is accrued as earned.

Donated Assets (other than food)

Donations of items other than food are recorded at their fair market value.

Contributions/Revenue Recognition

MPFS reports contributions of cash and commodities received without donor restriction as unrestricted.

Temporarily restricted net assets consist of contributions (cash and contracts) which are restricted by the donor for a specified purpose. When the restriction is met the contribution is released to unrestricted.

Permanently restricted net assets consist of contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Earnings from the permanently restricted net assets can be either temporarily restricted or unrestricted depending on the donor's intent.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions/Revenue Recognition (Continued)

Support received from MPFS' fund-raising efforts is included in donations revenue. Revenue and expense related to fundraising events for the year ended June 30, 2016 was \$67,600 and \$25,043. Revenue and expense related to fundraising events for the year ended June 30, 2015 was \$117,998 and \$48,922.

Grants and other funds for specified purposes received in advance of the period in which they will be utilized are reflected as unearned revenue.

Governmental funding sources can conduct audits of expenditures of funds under contracts to determine their eligibility with applicable regulations. In the event ineligible expenditures have been made, a liability for repayment of those funds would exist. It is the opinion of management that it has substantially complied with all regulations affecting such payments and expenditures. Any adjustments would be reported in the year of determination.

Concentrations of Credit Risk

MPFS holds its cash and investments in many types of financial instruments. Certain investments are either not insured or the balances exceed federally insured limits. MPFS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and investments.

Income Taxes

MPFS is organized as a nonprofit corporation under IRS Code Section 501(c)(3) and is exempt from federal and state taxes on income.

MPFS follows the provisions Accounting Standards Codification (ASC) 740 "Accounting for Uncertainty in Income Taxes". MPFS' federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations. MPFS would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

Expense Allocation

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

Summarized Financial Information for 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2016 AND 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues, and expenses as of and for the years ended June 30, 2016 and 2015. Actual results may differ from such estimates.

INVESTMENTS

MPFS follows Accounting Standards Codification (ASC) 820-10 which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer the liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy within ASC 820-10 distinguishes three levels of inputs that may be utilized when measuring fair value including level 1 inputs (using quoted prices in active markets for identical assets or liabilities), level 2 inputs (using inputs other than level 1 prices such as quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability) and level 3 inputs (unobservable inputs supported by little or no market activity based on our own assumptions used to measure assets and liabilities). A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Investments at June 30, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Smith Barney Money Market	\$ 180,273	\$ -	\$ 180,273	\$ 180,273
Certificates of Deposit	268,891	-	268,891	268,891
Oregon Community Foundation	-	606,317	606,317	569,645
Restricted Endowment - OCF	-	222,408	222,408	134,400
	<u>\$ 449,164</u>	<u>\$ 828,725</u>	<u>\$ 1,277,889</u>	<u>\$ 1,153,209</u>

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2016 AND 2015

INVESTMENTS (Continued)

Investments at June 30, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Smith Barney Money Market	\$ 180,350	\$ -	\$ 180,350	\$ 180,350
Certificates of Deposit	264,699	-	264,699	264,699
Oregon Community Foundation	-	658,499	658,499	569,645
Restricted Endowment - OCF	-	137,176	137,176	134,400
	<u>\$ 445,049</u>	<u>\$ 795,675</u>	<u>\$ 1,240,724</u>	<u>\$ 1,149,094</u>

The money market at June 30, 2016 and 2015 bears an interest rate of 0.01%.

The investment at Oregon Community Foundation was established by MPFS' Board of Directors from restricted and unrestricted resources, and is administered as a component fund of Oregon Community Foundation. Distributions, based on a reasonable rate of return, are to be made not less than annually, and are useable as determined by the Board of Directors. All monies are returnable to MPFS upon notice to Oregon Community Foundation.

The MPFS Restricted Endowment Fund corpus of \$235,935 shall be maintained and held by Oregon Community Foundation. The earnings may be distributed based upon a percentage determined by Oregon Community Foundation.

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION

MPFS' interest in funds held in trust for the years ended June 30, 2016 and 2015 was \$828,725 and \$795,675, respectively and consists of investments owned by the Oregon Community Foundation ("OCF"). These funds are not held in a depository account but rather are in an "endowment fund" that is legally owned by OCF. Under United States Treasury Regulations, all community foundation endowment fund agreements must include terms which grant the community foundation's Board of Directors the authority to modify restrictions and conditions of the fund agreement under certain circumstances (often referred to as "variance power"). As a result, all component funds are considered to be part of a single public charity, in this case OCF.

The OCF variance power clause reads: "Whenever, in the sole judgment of the board of directors (without the necessity of the approval of any participating trustee, custodian or agent), any restriction or condition on the distribution of funds for any specified charitable, educational, or scientific purposes or to specified organizations or governmental units becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable, educational, and scientific needs of the state of Oregon, the board of directors may, by the affirmative vote of a majority of its members, order such modification of such restriction or condition and such application of the whole or any part of the principal or income of the funds as in its judgment is then necessary to serve more effectively the charitable, educational, and scientific purposes of the Corporation."

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (continued)

The OCF accounts for these funds in accordance with FASB ASC 958, *Not-for-Profit Entities*, which states that if a community foundation accepts a contribution from an agency and agrees to transfer those assets and/or the investment return on those assets back to the agency, then those contributions are presented as both an asset and a liability on the financial statements of the community foundation (i.e., the OCF), and as an asset on the financial statements of the agency (i.e., MPFS). This treatment is for financial statement presentation purposes only as the legal ownership of these funds remains with the OCF.

The activity for MPFS's interest in funds held in trust at OCF is summarized as follows for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 795,675	\$ 827,935
Contribution	101,535	3,634
Realized/unrealized gains (losses)	(35,370)	(2,101)
Interest and dividend income	11,663	7,716
Distributions	(37,697)	(34,356)
Administrative expense	(7,081)	(7,153)
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 828,725</u>	<u>\$ 795,675</u>

Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA")

On June 22, 2007, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in the state of Oregon and was implemented by MPFS in 2008. This new law revises the Uniform Management of Institutional Funds Act (UMIFA) which has governed Oregon charitable institutions with respect to the management, investment and expenditure of endowment funds since 1972.

Interpretation of Relevant Law

MPFS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MPFS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, MPFS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of MPFS and the donor-restricted funds
3. General economic conditions
4. The possible effects of inflation and deflation

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (Continued)

Interpretation of Relevant Law (Continued)

5. The expected total return from the income and/or appreciation of investments
6. Other resources of MPFS
7. The investment policies of MPFS

Return Objectives and Risk Parameters

The investment objective of the fund is to retain (at a minimum) and, when possible, increase the purchasing power of the funds, while at the same time providing a reasonable return for distribution to meet current MPFS needs. The funds are managed and invested in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances. MPFS expected the funds to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount, however.

Strategies Employed for Achieving Objectives

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market value changes (realized and unrealized) and current yield (interest and dividends). OCF invests in a mixture of equities, fixed-income investments, and alternative investment classes such as hedge funds, distressed debt, private investments and cash. OCF utilizes the services of investment managers with proven records of performance in domestic and international markets, equity management, fixed-income management, and/or mixed-asset management. OCF managers with responsibility for equity management have demonstrated skill managing assets within but not necessarily including all of the following styles: core (including index funds), growth, value, small capitalization and non U.S. equities.

Spending Policy and How Investment Objectives Relate to the Spending Policy

Each year the OCF board sets an annual payout rate for the coming year based on their Investment Committee's 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout will be 5%; if the projected return is below 9%, the payout will be 4.5%. The payout is calculated using a 13- quarter trailing average of fund market value. New permanent funds are invested for a minimum of six months before being included in the valuation for distribution.

OCF Valuation Methodologies

Investment accounts consisting of publicly traded equities and mutual funds are recorded at fair market value based on current quoted market prices provided primarily by custodians. Investments in fixed income accounts are recorded at fair value provided primarily by custodians and are based on pricing models that incorporate available trade, bid and other market information. Investments in co-mingled trusts and pooled funds are valued at the net asset value per unit as provided by the fund trustees or custodians. Net asset value is based on fair market value of the underlying assets of the funds using quoted market prices when available and alternative valuation methods as provided in the individual trust or pooled fund agreements when quoted market prices are not available.

Quoted market prices are not available for certain investments, including limited partnership investments and real property. These investments are recorded at their estimated fair market value; therefore the reported value may differ from the value that would have been used had a quoted market price existed. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (Continued)

OCF Valuation Methodologies (Continued)

includes assumptions and methods that were prepared by the General Partners of the limited partnerships and were reviewed by OCF management. OCF believes that the reported amounts for these investments are reasonable estimates of their fair value at June 30, 2016.

The methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MPFS' management believes OCF's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.

The fair value of the MPFS' interest in funds held in trust (Levels 1, 2 and 3) is based on their pro-rata share of OCF's "total investments" as reported in their 2015 audited financial statements. MPFS' assets that are stated at fair value within the fair value hierarchy are reported in the investments footnote.

FASB ASC 820 requires additional disclosures for investments valued at net asset value to enable users of financial statements to understand the nature and risks of those investments; however, MPFS' pro-rata values of these investments as reported by OCF were insignificant at December 31, 2015.

COMMODITY INVENTORY

Commodity inventory consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated product	\$ 1,037,882	\$ 840,112
USDA food	33,164	21,280
Purchased product	56,262	72,446
	<u>\$ 1,127,308</u>	<u>\$ 933,838</u>

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2016 AND 2015

PROPERTY AND EQUIPMENT

	<u>2016</u>	<u>2015</u>
Land	\$ 6,101	\$ 6,101
Building	3,627,454	3,627,108
Furniture and equipment	1,228,452	1,091,554
Construction in progress	165,481	-
	<u>5,027,488</u>	<u>4,724,763</u>
Less accumulated depreciation	(1,818,590)	(1,599,068)
	<u>\$ 3,208,898</u>	<u>\$ 3,125,695</u>

UNEARNED REVENUE

As of June 30, 2016 and 2015, Marion-Polk Food Share, Inc. had received revenues to be used in subsequent periods as follows:

	<u>2016</u>	<u>2015</u>
Chef's Nite Out	\$ 12,500	\$ 27,500
Plate Expectations	-	15,000
Community Supported Agriculture	-	6,141
Farm to Table	49,440	-
	<u>\$ 61,940</u>	<u>\$ 48,641</u>

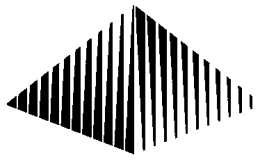
PENSION PLAN

MPFS sponsors a defined contribution pension plan (SEP). The plan covers substantially all employees meeting years of service requirements. Contributions are determined annually and are based on a percent of compensation. Pension expense was \$44,154 and \$41,835 for 2016 and 2015, respectively.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2016, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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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

Board of Directors
Marion-Polk Food Share, Inc.
Salem, 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 Marion-Polk Food Share, Inc. (MPFS) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MPFS' 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 MPFS' internal control. Accordingly, we do not express an opinion on the effectiveness of MPFS' 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 MPFS' 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

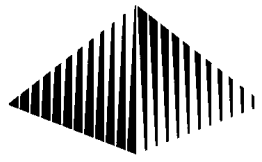
As part of obtaining reasonable assurance about whether MPFS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 MPFS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MPFS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

November 14, 2016



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Board of Directors
Marion-Polk Food Share, Inc.
Salem, Oregon

Report on Compliance for Each Major Federal Program

We have audited Marion-Polk Food Share, Inc.'s (MPFS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MPFS' major federal programs for the year ended June 30, 2016. MPFS' 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 MPFS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 MPFS' 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 MPFS' compliance.

Opinion on Each Major Federal Program

In our opinion, Marion-Polk Food Share, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of MPFS 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 MPFS' 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

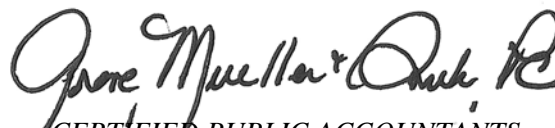
and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MPFS' internal control over compliance.

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.

Purpose of this Report

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.


CERTIFIED PUBLIC ACCOUNTANTS
November 14, 2016

MARION-POLK FOOD SHARE, INC.
 (A Not-for-Profit Organization)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2016

<i>Federal Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Expenditures</i>
<u>U.S. Department of Agriculture</u>			
<i>Food Distribution Cluster</i>			
<i>Passed through Oregon Food Bank</i>			
Emergency Food Assistance Program - Administration	10.568	unknown	\$ 70,596
Emergency Food Assistance Program - Food Commodities	10.569	unknown	932,325
<i>Total Food Distribution Cluster</i>			1,002,921
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	97.024	n/a	31,446
<i>Total Federal Expenditures</i>			<u>\$ 1,034,367</u>

See notes to schedule of expenditures of federal awards.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Marion-Polk Food Share, Inc (MPFS) under programs of the federal government for the year ended June 30, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the SEFA presents only a selected portion of the operations of MPFS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the MPFS.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA 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.

MPFS has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

MARION-POLK FOOD SHARE, INC.
 (A Not-for-Profit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' report issues:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies?	None reported
Type of Auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.568, 10.569

Food Distribution Cluster

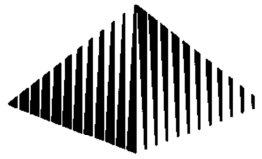
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

November 14, 2016

Board of Directors
Marion-Polk Food Share, Inc.
1660 Salem Industrial Drive NE
Salem, Oregon 97301

We have audited the financial statements of Marion-Polk Food Share, Inc. (MPFS) for the year ended June 30, 2016, and have issued our report thereon dated November 14, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MPFS are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the MPFS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- Management's estimate of the allowance for bad debt is based on the actual collection rate of all receivables.
- Management's estimate of the fair market value of the investments held by the Oregon Community Foundation is based on their quarterly statements and audited financial statements.
- Management's estimate of the valuation of donated food is based on data provided by Oregon Food Bank.
- Management's estimate of the carrying value of capital assets is based on historical cost and their estimated remaining useful lives.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MPFS's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MPFS' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Marion-Polk Food Share, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours


CERTIFIED PUBLIC ACCOUNTANTS