

***MARION-POLK FOOD SHARE, INC.***  
***(A Not-for-Profit Organization)***  
***FINANCIAL STATEMENTS AND***  
***ADDITIONAL INFORMATION***  
***Years Ended June 30, 2012 and 2011***

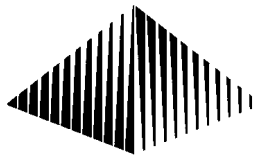
**MARION-POLK FOOD SHARE, INC.**

*(A Not-for-Profit Organization)*

**TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-13
<b>ADDITIONAL INFORMATION</b>	
Schedules of Expenses by Program	14-15
<b>FEDERAL FINANCIAL ASSISTANCE</b>	
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	16-17
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	18-19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22



## 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***

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

We have audited the accompanying statements of financial position of Marion-Polk Food Share, Inc. (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012, on our consideration of Marion-Polk Food Share, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basis financial statements of Marion-Polk Food Share, Inc. taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements is presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The additional information and the schedule of expenditure of federal awards are the responsibility of management and were derived from and

related 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 respected in relation to the financial statements as a whole.

*John Mueller & Duke R*  
CERTIFIED PUBLIC ACCOUNTANTS  
October 22, 2012

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 460,610	\$ 490,984
Grants receivable	170,403	84,162
Prepaid expenses	57,683	29,925
Commodity inventory	1,475,789	744,466
	<hr/>	<hr/>
<i>Total Current Assets</i>	2,164,485	1,349,537
	<hr/>	<hr/>
<b>Investments</b>	1,128,375	1,181,647
	<hr/>	<hr/>
<b>Property and Equipment, net of accumulated depreciation</b>	2,974,320	2,798,302
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 6,267,180</u>	<u>\$ 5,329,486</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 171,148	\$ 54,974
Accrued payroll liabilities	120,082	124,292
Deferred revenue	40,540	16,000
	<hr/>	<hr/>
<i>Total Liabilities</i>	331,770	195,266
 <b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated, available for general activities	125,291	434,492
Net investment in property and equipment	2,974,320	2,798,302
<b>Designated by the governing board</b>		
Commodity inventory	1,475,789	744,466
Sustainer campaign	206,079	92,858
Endowment - OCF	586,796	637,497
	<hr/>	<hr/>
<i>Total Unrestricted</i>	5,368,275	4,707,615
Temporarily restricted	461,135	326,605
Permanently restricted - OCF	106,000	100,000
	<hr/>	<hr/>
<i>Total Net Assets</i>	5,935,410	5,134,220
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,267,180</u>	<u>\$ 5,329,486</u>

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

**MARION-POLK FOOD SHARE, INC.***(A Not-for-Profit Organization)***STATEMENTS OF ACTIVITIES****YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>2012</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Donations, including fundraisers	\$ 2,331,682	\$ -	\$ -	\$ 2,331,682
Donated food/USDA commodities	9,769,708	-	-	9,769,708
Grants and contracts	391,646	403,618	6,000	801,264
Interest and dividends	10,719	-	-	10,719
Realized/unrealized gains (losses)	(34,217)	-	-	(34,217)
Miscellaneous revenue	40,347	-	-	40,347
<i>Total Support and Revenue</i>	12,509,885	403,618	6,000	12,919,503
<b>ASSETS RELEASED FROM RESTRICTIONS</b>				
	269,088	(269,088)	-	-
<b>EXPENSES</b>				
<b>Food Acquisition and Distribution</b>				
Donated and USDA food distributed	9,356,389	-	-	9,356,389
Food purchases	247,415	-	-	247,415
Salaries and related expenses	1,598,315	-	-	1,598,315
Contracts and professional fees	109,631	-	-	109,631
Supplies, printing and postage	225,525	-	-	225,525
Network development	3,763	-	-	3,763
Occupancy	118,959	-	-	118,959
Equipment and vehicle expense	84,454	-	-	84,454
Meetings and travel expenses	23,809	-	-	23,809
Volunteer and donor development	16,293	-	-	16,293
Advertising and marketing	78,221	-	-	78,221
Computer expense	45,097	-	-	45,097
Membership	4,782	-	-	4,782
Bank fees	22,108	-	-	22,108
Insurance	17,212	-	-	17,212
Other expenses	1,436	-	-	1,436
Depreciation	164,904	-	-	164,904
<i>Total Expenses</i>	12,118,313	-	-	12,118,313
<b>CHANGE IN NET ASSETS</b>	660,660	134,530	6,000	801,190
<b>NET ASSETS, Beginning of year</b>	4,707,615	326,605	100,000	5,134,220
<b>NET ASSETS, End of year</b>	\$ 5,368,275	\$ 461,135	\$ 106,000	\$ 5,935,410

<i>2011</i>			
<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
\$ 1,954,708	\$ -	\$ -	\$ 1,954,708
8,759,736	-	-	8,759,736
723,181	321,841	-	1,045,022
1,104	-	-	1,104
124,350	-	1,997	126,347
3,029	-	-	3,029
11,566,108	321,841	1,997	11,889,946
66,030	(66,030)	-	-
8,771,769	-	-	8,771,769
295,881	-	-	295,881
1,562,489	-	-	1,562,489
75,779	-	-	75,779
194,225	-	-	194,225
27,038	-	-	27,038
97,514	-	-	97,514
93,208	-	-	93,208
23,528	-	-	23,528
21,157	-	-	21,157
52,867	-	-	52,867
44,775	-	-	44,775
3,633	-	-	3,633
21,058	-	-	21,058
17,355	-	-	17,355
4,011	-	-	4,011
229,244	-	-	229,244
11,535,531	-	-	11,535,531
96,607	255,811	1,997	354,415
4,611,008	70,794	98,003	4,779,805
\$ 4,707,615	\$ 326,605	\$ 100,000	\$ 5,134,220

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

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from activities	\$ 3,111,546	\$ 2,981,177
Cash paid to suppliers	(1,228,293)	(1,003,100)
Cash paid to employees	(1,602,525)	(1,525,019)
Interest and dividends received	10,719	1,104
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	291,447	454,162
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(340,922)	(559,364)
Additions to investments	(18,862)	(61,431)
Sales of investments	37,963	9,908
	<hr/>	<hr/>
<i>Net Cash Used in Investing Activities</i>	(321,821)	(610,887)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(30,374)	(156,725)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	490,984	647,709
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 460,610</u>	<u>\$ 490,984</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 801,190	\$ 354,415
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation	164,904	229,244
Unrealized change in investments	34,171	(111,090)
Change in commodity inventory	(731,323)	12,033
<i>Increase (decrease) in cash due to changes in assets and liabilities:</i>		
Grants receivable	(86,241)	(35,131)
Prepaid expenses	(27,758)	8,796
Deferred revenue	24,540	(1,708)
Accounts payable and accrued expenses	111,964	(2,397)
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 291,447</u>	<u>\$ 454,162</u>
<b>NON-CASH TRANSACTIONS</b>		
Food commodities received	<u>\$ 9,769,708</u>	<u>\$ 8,759,736</u>

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, 2012 AND 2011**

---

***NATURE OF THE ORGANIZATION***

Marion-Polk Food Share, Inc. is a tax-exempt organization that provides emergency food to the residents of Marion and Polk Counties through distribution to ninety-six 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 Marion-Polk Food Share, Inc. warehouse.

Marion-Polk Food Share, Inc. 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), and private and corporate donors. Member agencies provided funds through a shared maintenance assessment based on poundage received each month. This was discontinued during the year. 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, 2012 and 2011, Marion-Polk Food Share, Inc. distributed (unaudited) 8,233,075 and 7,614,504 pounds of food, respectively.

Unpaid volunteers have contributed substantial hours of their time in assisting, developing and operating Marion-Polk Food Share, Inc. and its member agencies, 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 223,881 for 2012 and 182,937 for 2011.

***SIGNIFICANT ACCOUNTING POLICIES***

*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*

Marion-Polk Food Share, Inc. 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.

*Contributions/Revenue Recognition*

Marion-Polk Food Share, Inc. reports contributions of cash and commodities received without donor restriction as unrestricted.

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

**MARION-POLK FOOD SHARE, INC.**

*(A Not-for-Profit Organization)*

*NOTES TO FINANCIAL STATEMENTS (Continued)*

*YEARS ENDED JUNE 30, 2012 AND 2011*

---

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contributions/Revenue Recognition (Continued)*

Permanently restricted net assets consist of contributions whose use by 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.

Support received from the Organization's fund-raising efforts are included in donations revenue. Revenue and expense related to fundraising events for the year ended June 30, 2012 was \$75,749 and \$14,866. Revenue and expense related to fundraising events for the year ended June 30, 2011 was \$61,030 and \$17,483.

Donated food inventories are stated at \$1.50 per pound as of June 30, 2012 and 2011 as calculated by Feeding America and adopted by the Board of Directors as a fixed price per pound rate. Purchased food is stated at cost. As of June 30, 2012 the inventory of USDA commodities was valued at \$26,272, as estimated by USDA and the State of Oregon.

Grant and contract awards and other funds for designated purposes received in advance of the period in which they will be utilized are reflected as deferred 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.

*Property and Equipment*

Buildings, furniture and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Buildings and building improvements are depreciated over 7 to 39 years and furniture and equipment are depreciated over 3 to 7 years.

*Accrued Vacation*

Vacation is accrued as earned.

*Concentrations of Credit Risk*

The Organization holds its cash and investments in many types of financial instruments. Certain investments are either not insured or the balances exceed federally insured limits. The Organization 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*

Marion-Polk Food Share, Inc. is organized as a nonprofit corporation under IRS Code Section 501(c)(3) and is exempt from federal and state taxes on income.

**MARION-POLK FOOD SHARE, INC.**

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED JUNE 30, 2012 AND 2011

---

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Income Taxes (Continued)*

The Organization follows the provisions Accounting Standards Codification (ASC) 740 "Accounting for Uncertainty in Income Taxes". The Organization's 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. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

*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, 2012 and 2011. Actual results may differ from such estimates.

**INVESTMENTS**

The Organization 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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Smith Barney Money Market	\$ 430,573	\$ -	\$ 430,573	\$ 430,573
Oregon Community Foundation	-	586,798	586,798	582,918
Restricted Endowment - OCF	-	111,004	111,004	111,815
	<u>\$ 430,573</u>	<u>\$ 697,802</u>	<u>\$ 1,128,375</u>	<u>\$ 1,125,306</u>

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED JUNE 30, 2012 AND 2011

---

**INVESTMENTS (Continued)**

Investments at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Smith Barney Money Market	\$ 428,656	\$ -	\$ 428,656	\$ 428,656
Wells Fargo Advisors	1,368	-	1,368	1,368
Oregon Community Foundation	-	637,498	637,498	607,881
Restricted Endowment - OCF	-	114,125	114,125	110,403
	<u>\$ 430,024</u>	<u>\$ 751,623</u>	<u>\$ 1,181,647</u>	<u>\$ 1,148,308</u>

The money market at June 30, 2012 bears an interest rate of 0.01%.

The investment at Oregon Community Foundation was established by Marion-Polk Food Share, Inc.'s 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 the organization upon notice to Oregon Community Foundation.

The MPFS Restricted Endowment Fund corpus of \$106,000 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 IN TRUST**

The Organization's interest in funds held in trust for the years ending June 30, 2012 and 2011 was \$697,802 and \$751,623, 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.

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, 2012 AND 2011

---

**INTEREST IN FUNDS HELD IN TRUST (Continued)**

OCF accounts for these funds in accordance with FASB ASC 958, *Not-for-Profit Entities*, which states that is 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., OCF), and as an asset on the financial statements of the agency (i.e., the Organization). This treatment is for financial statement presentation purposes only as the legal ownership of these funds remains with OCF.

The activity for the Organization's interest in funds held in trust at OCF is summarized as follows for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 751,623	\$ 591,926
Contribution	6,000	43,379
Realized/unrealized gains (losses)	(34,170)	111,089
Interest and dividend income	10,142	15,136
Distributions	(29,551)	-
Administrative expense	(6,242)	(9,907)
	<u>                    </u>	<u>                    </u>
Balance, end of year	<u>\$ 697,802</u>	<u>\$ 751,623</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 at the Foundation effective January 1, 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.

The Organization's investments consist of an individual fund held at OCF (described above) established for a variety of purposes. The fund includes both donor-restricted funds and funds designated by the Organization's Board of Directors to function as endowment funds.

*Interpretation of Relevant Law*

The Organization 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, the Organization 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, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

## **MARION-POLK FOOD SHARE, INC.**

*(A Not-for-Profit Organization)*

*NOTES TO FINANCIAL STATEMENTS (Continued)*

*YEARS ENDED JUNE 30, 2012 AND 2011*

---

### **INTEREST IN FUNDS HELD IN TRUST (Continued)**

#### *Interpretation of Relevant Law (Continued)*

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted funds
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from the income and/or appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

#### *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 Organization 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. The Organization 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 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

**MARION-POLK FOOD SHARE, INC.**

*(A Not-for-Profit Organization)*

*NOTES TO FINANCIAL STATEMENTS (Continued)*

*YEARS ENDED JUNE 30, 2012 AND 2011*

---

**INTEREST IN FUNDS HELD IN TRUST** *(Continued)*

*OCF Valuation Methodologies (Continued)*

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 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, 2012.

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 the Organization's 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 Organization's 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 2011 audited financial statements. The Organization's 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, the Organization's pro-rata values of these investments as reported by OCF were insignificant at December 31, 2011.

**PENSION PLAN**

The Organization 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 \$41,186 and \$66,792 for 2012 and 2011, respectively.

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED JUNE 30, 2012 AND 2011

---

**PROPERTY AND EQUIPMENT**

	<u>2012</u>	<u>2011</u>
Building	\$ 3,142,201	\$ 3,142,201
Furniture and equipment	692,674	481,719
Construction in progress	129,967	-
	<u>3,964,842</u>	<u>3,623,920</u>
Less accumulated depreciation	(990,522)	(825,618)
	<u>\$ 2,974,320</u>	<u>\$ 2,798,302</u>

**DEFERRED REVENUE**

As of June 30, 2012 and 2011, Marion-Polk Food Share, Inc. had received revenues to be used in subsequent periods as follows:

	<u>2012</u>	<u>2011</u>
Chef's Nite Out	\$ 14,500	\$ 16,000
Latin Music Festival	17,790	-
Pentacle Silent Auction	8,250	-
	<u>\$ 40,540</u>	<u>\$ 16,000</u>

**SUBSEQUENT EVENTS**

The Organization follows the provisions of Accounting Standards Codification (ASC) 855 "Subsequent Events". ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through October 22, 2012, 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.



***ADDITIONAL INFORMATION***

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
**SCHEDULES OF EXPENSES BY PROGRAM**  
**YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>Food Distribution</u>	<u>Nutrition Services</u>	<u>Network Relations</u>	<u>Food Procurement</u>	<u>Farming &amp; Processing</u>
Food donated and purchased	\$ 9,393,894	\$ 7,958	\$ 100	\$ 196,926	\$ -
Salaries and related expenses	408,935	37,821	109,283	164,759	30,425
Contracts and professional fees	1,829	-	72	160	15,700
Supplies, printing, and postage	24,790	906	2,293	2,108	464
Network development	-	-	3,763	-	-
Occupancy expenses	81,223	2,622	3,127	3,126	1,962
Equipment and vehicle expenses	75,511	86	129	852	29
Meetings and travel expenses	1,433	114	1,840	790	984
Volunteer and donor development	2,990	-	-	606	-
Advertising and marketing expenses	-	-	8	40	-
Event expenses	-	-	-	-	-
Computer expenses	11,036	1,612	2,493	2,610	537
Membership dues	300	-	-	550	-
Bank fees	-	-	-	-	-
Liability insurance expense	(1,201)	-	-	-	-
Other expenses	522	-	-	-	-
Total Expenses before Depreciation	10,001,262	51,119	123,108	372,527	50,101
Depreciation	121,863	3,793	3,793	3,793	3,793
<b>Total Expenses</b>	<b>\$ 10,123,125</b>	<b>\$ 54,912</b>	<b>\$ 126,901</b>	<b>\$ 376,320</b>	<b>\$ 53,894</b>

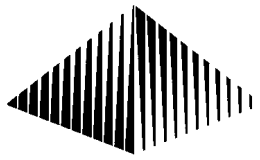
<b>Training &amp; Education</b>	<b>Women Ending Hunger</b>	<b>Community Gardens</b>	<b>Total Program Activity</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 4,926	\$ -	\$ -	\$ 9,603,804	\$ -	\$ -	\$ 9,603,804
145,584	66,697	86,098	1,049,602	207,444	341,269	1,598,315
340	-	7,231	25,332	65,440	18,859	109,631
8,135	1,456	38,904	79,056	12,744	133,725	225,525
-	-	-	3,763	-	-	3,763
6,994	2,672	2,652	104,378	6,496	8,085	118,959
1,395	86	3,458	81,546	1,097	1,811	84,454
100	712	1,024	6,997	4,906	11,906	23,809
-	500	68	4,164	1,091	11,038	16,293
626	1,777	2,533	4,984	3,284	61,331	69,599
-	-	-	-	-	8,622	8,622
3,316	1,612	3,033	26,249	7,754	11,094	45,097
-	-	-	850	2,000	1,932	4,782
-	-	-	-	6,788	15,320	22,108
-	-	-	(1,201)	18,413	-	17,212
-	-	-	522	760	154	1,436
171,416	75,512	145,001	10,990,046	338,217	625,146	11,953,409
3,793	3,793	3,793	148,414	9,894	6,596	164,904
<b>\$ 175,209</b>	<b>\$ 79,305</b>	<b>\$ 148,794</b>	<b>\$ 11,138,460</b>	<b>\$ 348,111</b>	<b>\$ 631,742</b>	<b>\$ 12,118,313</b>

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
**SCHEDULES OF EXPENSES BY PROGRAM**  
**YEAR ENDED JUNE 30, 2011**

<u>Account Description</u>	<u>Food Distribution</u>	<u>Nutrition Services</u>	<u>Network Relations</u>	<u>Food Procurement</u>	<u>Farming &amp; Processing</u>
Food donated and purchased	\$ 8,800,181	\$ 14,710	\$ -	\$ 251,984	\$ -
Salaries and related expenses	454,522	45,846	112,890	155,917	31,511
Contracts and professional fees	908	300	-	160	9,000
Supplies, printing, and postage	22,315	709	1,577	3,226	488
Network development	-	-	25,182	-	856
Occupancy expenses	69,571	2,262	2,776	2,775	1,577
Equipment and vehicle expenses	78,505	59	275	3,138	20
Meetings and travel expenses	1,500	142	491	631	-
Volunteer and donor development	2,675	-	-	948	-
Advertising and marketing expenses	-	-	-	1,019	-
Computer expenses	9,098	1,462	2,193	2,193	527
Membership dues	-	-	-	100	-
Bank fees	-	-	-	-	-
Liability insurance expense	-	-	-	-	-
Other expenses	141	-	-	-	50
Total Expenses before Depreciation	9,439,416	65,490	145,384	422,091	44,029
Depreciation	169,412	5,273	5,273	5,273	5,273
<b>Total Expenses</b>	<b>\$ 9,608,828</b>	<b>\$ 70,763</b>	<b>\$ 150,657</b>	<b>\$ 427,364</b>	<b>\$ 49,302</b>

---

<b>Training &amp; Education</b>	<b>Women Ending Hunger</b>	<b>Community Gardens</b>	<b>Total Program Activity</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 775	\$ -	\$ -	\$ 9,067,650	\$ -	\$ -	\$ 9,067,650
99,891	50,263	64,983	1,015,823	231,719	314,947	1,562,489
2,100	4,384	389	17,241	51,584	6,954	75,779
15,368	870	19,902	64,455	9,242	120,528	194,225
-	-	-	26,038	-	1,000	27,038
3,352	2,304	2,366	86,983	5,798	4,733	97,514
98	59	3,130	85,284	1,280	6,644	93,208
234	25	464	3,487	5,180	14,861	23,528
-	-	-	3,623	322	17,212	21,157
-	426	60	1,505	1,330	50,032	52,867
2,437	1,462	645	20,017	15,411	9,347	44,775
-	-	-	100	1,729	1,804	3,633
-	-	-	-	9,656	11,402	21,058
-	-	-	-	17,355	-	17,355
50	-	-	241	738	3,032	4,011
124,305	59,793	91,939	10,392,447	351,344	562,496	11,306,287
5,273	5,273	5,273	206,323	13,751	9,170	229,244
<b>\$ 129,578</b>	<b>\$ 65,066</b>	<b>\$ 97,212</b>	<b>\$ 10,598,770</b>	<b>\$ 365,095</b>	<b>\$ 571,666</b>	<b>\$ 11,535,531</b>



## GROVE, MUELLER & SWANK, P.C.

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

### ***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 the financial statements of Marion-Polk Food Share, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012. 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.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Marion-Polk Food Share, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

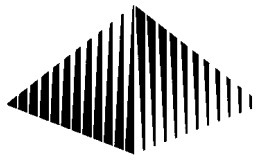
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Marion-Polk Food Share, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of Marion-Polk Food Share, Inc., federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joan Mueller & Dan R*  
CERTIFIED PUBLIC ACCOUNTANTS  
October 22, 2012



## 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 WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

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

#### **Compliance**

We have audited the compliance of Marion-Polk Food Share, Inc. with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Marion-Polk Food Share, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marion-Polk Food Share, Inc.'s management. Our responsibility is to express an opinion on Marion-Polk Food Share, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion-Polk Food Share, 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. Our audit does not provide a legal determination of Marion-Polk Food Share, Inc.'s compliance with those requirements.

In our opinion, Marion-Polk Food Share, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

#### **Internal Control over Compliance**

The management of Marion-Polk Food Share, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion-Polk Food Share, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion-Polk Food Share, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Marion-Polk Food Share, Inc., federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

October 22, 2012

**MARION-POLK FOOD SHARE, INC.**  
 (A Not-for-Profit Organization)  
 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2012

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>Federal Agency</b>			
<i>Emergency Food Assistance Cluster</i>			
Passed through Oregon Food Bank			
Emergency Food Assistance Program - Administration	10.568	1380	\$ 60,284
Emergency Food Assistance Program - Food Commodities	10.569	1380	492,118
			<hr/>
<i>Total Emergency Food Assistance Cluster</i>			552,402
<i>U.S. Department of Housing and Urban Development</i>			
Community Development Block Grant			
Passed through City of Salem			
Construction of Community Kitchen	14.218	N/A	108,780
<i>U.S. Department of Homeland Security</i>			
<i>Emergency Food and Shelter Program Cluster</i>			
Emergency Food and Shelter	97.024	B-11-MC-41-0004	62,992
			<hr/>
<i>Total Federal Expenditures</i>			<u>\$ 724,174</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, 2012**

---

*Purpose of the Schedule*

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the Marion-Polk Food Share, Inc.'s financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Marion-Polk Food Share, Inc., it is not intended to and does not present the financial position, changes in net assets, or the operating revenues and expenses of Marion-Polk Food Share, Inc.

**SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Expenditures for federal award programs are recognized on the accrual basis of accounting.

*Federal Financial Assistance*

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

*Major Programs*

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for Marion-Polk Food Share, Inc. are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

*Reporting Entity*

The reporting entity is fully described in notes to the financial statements. Additionally, the schedule includes all federal programs administered by Marion-Polk Food Share, Inc. for the year ended June 30, 2012.

*Revenue and Expenses Recognition*

The receipt and expenditure of federal awards are accounted for under the accrual basis of accounting. Revenues are recorded when earned. Expense are recorded when the liability is incurred.

**MARION-POLK FOOD SHARE, INC.**  
 (A Not-for-Profit Organization)  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

---

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of Auditors' report issues:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

**CFDA Numbers**

**Name of Federal Program or Cluster**

10.568/10.569

Emergency Food Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.