

***MARION-POLK FOOD SHARE, INC.***  
***(A Not-for-Profit Organization)***  
***FINANCIAL STATEMENTS***  
***Years Ended June 30, 2014 and 2013***

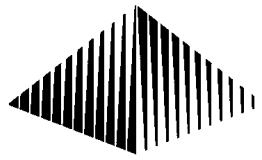
**MARION-POLK FOOD SHARE, INC.**

*(A Not-for-Profit Organization)*

**TABLE OF CONTENTS**

---

	<u><i>Page</i></u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	1-2
<i>FINANCIAL STATEMENTS</i>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance required by 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

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of Marion-Polk Food Share, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 Marion-Polk Food Share's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marion-Polk Food Share's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marion-Polk Food Share, Inc. as of June 30, 2014, 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 Marion-Polk Food Share, Inc.'s June 30, 2013 financial statements, and our report dated October 25, 2013, 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, 2013, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, 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 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 Marion-Polk Food Share, Inc.'s internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 2015

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 (With Comparative Totals for 2013)**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 708,577	\$ 248,641
Grants receivable	59,813	59,019
Prepaid expenses	82,230	66,485
Commodity inventory	1,670,193	1,628,776
	<hr/>	<hr/>
<i>Total Current Assets</i>	2,520,813	2,002,921
<b>Investments</b>	1,265,083	1,188,746
<b>Property and Equipment, net of accumulated depreciation</b>	2,992,657	3,160,526
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 6,778,553</u>	<u>\$ 6,352,193</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 90,592	\$ 70,440
Accrued payroll liabilities	102,689	105,885
Deferred revenue	17,825	21,205
	<hr/>	<hr/>
<i>Total Liabilities</i>	211,106	197,530
<b>Net Assets</b>		
Unrestricted		
Undesignated, available for general activities	846,639	26,255
Net investment in property and equipment	2,992,657	3,160,526
Designated by the governing board		
Commodity inventory	1,670,193	1,628,776
Sustainer campaign	-	206,079
Endowment - OCF	688,420	631,803
	<hr/>	<hr/>
<i>Total Unrestricted</i>	6,197,909	5,653,439
Temporarily restricted	254,222	388,184
Permanently restricted - OCF	115,316	113,040
	<hr/>	<hr/>
<i>Total Net Assets</i>	6,567,447	6,154,663
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,778,553</u>	<u>\$ 6,352,193</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****YEAR ENDED JUNE 30, 2014 (With Comparative Totals for 2013)**

	<b>2014</b>			<b>2013</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>					
Donations, including fundraisers	\$ 2,248,242	\$ 22,307	\$ 2,276	\$ 2,272,825	\$ 2,363,096
Donated food/USDA commodities	9,019,319	-	-	9,019,319	9,916,055
Grants and contracts	612,157	259,066	-	871,223	759,902
Interest and dividends	13,353	-	-	13,353	10,541
Realized/unrealized gains (losses)	114,954	-	-	114,954	67,544
Miscellaneous revenue	136,386	-	-	136,386	63,742
<i>Total Support and Revenue</i>	12,144,411	281,373	2,276	12,428,060	13,180,880
<b>ASSETS RELEASED FROM RESTRICTIONS</b>					
	415,335	(415,335)	-	-	-
<b>EXPENSES</b>					
<i>Program Services</i>					
Emergency food logistics	10,347,451	-	-	10,347,451	11,188,676
Farm and garden	444,935	-	-	444,935	419,034
New program development	268,631	-	-	268,631	306,367
<i>Support Services</i>					
Management and general	394,287	-	-	394,287	401,929
Fundraising	559,972	-	-	559,972	645,621
<i>Total Expenses</i>	12,015,276	-	-	12,015,276	12,961,627
<b>CHANGE IN NET ASSETS</b>	544,470	(133,962)	2,276	412,784	219,253
<b>NET ASSETS, Beginning of year</b>	5,653,439	388,184	113,040	6,154,663	5,935,410
<b>NET ASSETS, End of year</b>	\$ 6,197,909	\$ 254,222	\$ 115,316	\$ 6,567,447	\$ 6,154,663

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

**MARION-POLK FOOD SHARE, INC.***(A Not-for-Profit Organization)***STATEMENTS OF FUNCTIONAL EXPENSES***YEAR ENDED JUNE 30, 2014 (With Comparative Totals for 2013)*

<b>Account Description</b>	<b>2014</b>			
	<b>Emergency Food Logistics</b>	<b>Farm and Gardens</b>	<b>New Program Development</b>	<b>Total Program Activity</b>
Food donated and purchased	\$ 9,244,605	\$ -	\$ 6,534	\$ 9,251,139
Salaries and related expenses	583,671	189,864	206,731	980,266
Contracts and professional fees	12,786	82,473	6,459	101,718
Supplies, printing, and postage	73,510	118,906	20,633	213,049
Network development	3,906	20,000	-	23,906
Occupancy expenses	116,455	8,567	5,315	130,337
Equipment and vehicle expenses	80,583	6,945	5,706	93,234
Meetings and travel expenses	6,028	3,008	596	9,632
Volunteer and donor development	610	218	32	860
Advertising and marketing	4,236	1,301	275	5,812
Event expenses	1,093	-	-	1,093
Computer expenses	19,833	2,074	4,825	26,732
Membership dues	110	110	-	220
Bank fees	-	94	-	94
Liability insurance expense	22,450	1,278	1,278	25,006
Other expenses	221	-	150	371
Total Expenses before Depreciation	10,170,097	434,838	258,534	10,863,469
Depreciation	177,354	10,097	10,097	197,548
<b>Total Expenses</b>	<b>\$ 10,347,451</b>	<b>\$ 444,935</b>	<b>\$ 268,631</b>	<b>\$ 11,061,017</b>

<b>2014</b>			
<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>2013 Total</b>
\$ -	\$ -	\$ 9,251,139	\$ 10,056,625
296,265	336,030	1,612,561	1,670,787
44,747	16,600	163,065	161,925
13,635	107,190	333,874	329,478
-	-	23,906	27,758
5,275	4,751	140,363	165,227
1,877	1,363	96,474	92,321
2,356	3,860	15,848	26,656
1,373	5,100	7,333	13,373
1,820	13,778	21,410	51,390
-	19,078	20,171	58,584
11,344	16,264	54,340	53,245
700	2,593	3,513	5,130
4,264	18,528	22,886	22,901
1,111	1,667	27,784	19,771
741	-	1,112	1,669
385,508	546,802	11,795,779	12,756,840
8,779	13,170	219,497	204,787
\$ 394,287	\$ 559,972	\$ 12,015,276	\$ 12,961,627

*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***YEAR ENDED JUNE 30, 2014 (With Comparative Totals for 2013)*

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from activities	\$ 3,276,260	\$ 3,278,789
Cash paid to suppliers	(1,200,909)	(1,432,495)
Cash paid to employees	(1,615,757)	(1,684,984)
Interest and dividends received	13,353	10,541
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	472,947	171,851
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(52,479)	(390,993)
Sales of property and equipment	850	-
Additions to investments	(17,749)	(16,270)
Sales of investments	56,366	23,443
	<hr/>	<hr/>
<i>Net Cash Used in Investing Activities</i>	(13,012)	(383,820)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	459,936	(211,969)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	248,641	460,610
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 708,577</u>	<u>\$ 248,641</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 412,784	219,253
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation	219,497	204,787
Realized/unrealized change in investments	(114,954)	(67,544)
Change in commodity inventory	(41,417)	(152,987)
<i>Increase (decrease) in cash due to changes in assets and liabilities:</i>		
Grants receivable	(794)	111,384
Prepaid expenses	(15,745)	(8,802)
Deferred revenue	(3,380)	(19,335)
Accounts payable and accrued expenses	16,956	(114,905)
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 472,947</u>	<u>\$ 171,851</u>
<b>NON-CASH TRANSACTIONS</b>		
Food commodities received	<u>\$ 9,019,319</u>	<u>\$ 9,916,055</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, 2014 AND 2013**

---

***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 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 MPFS warehouse.

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), and private and corporate donors. 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, 2014 and 2013, MPFS distributed (unaudited) 7,164,958 and 7,943,546 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 200,368 for 2014 and 247,974 for 2013.

***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, 2014 AND 2013*

---

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Commodity Inventory*

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 \$1.50 per pound as of June 30, 2014 and 2013 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 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 7 to 39 years and furniture and equipment are depreciated over 5 to 7 years.

*Accrued Vacation*

Vacation is accrued as earned.

*Donated Assets*

Donations of food and grocery products by the food industry, other businesses, community organizations and individuals are recorded as support at their estimated wholesale fair market value currently stated at \$1.50 per pound. To arrive at the estimated wholesale fair market value per pound, MPFS. uses the approximate average value based on an independent accountants' report to Feeding America. The report is used as a guide to determine an average rate that reflects the specific composition of inventory held by MPFS.

*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.

Support received from MPFS' fund-raising efforts are included in donations revenue. Revenue and expense related to fundraising events for the year ended June 30, 2014 was \$63,871 and \$28,022. Revenue and expense related to fundraising events for the year ended June 30, 2013 was \$78,921 and \$78,350.

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

*(A Not-for-Profit Organization)*

*NOTES TO FINANCIAL STATEMENTS (Continued)*

*YEARS ENDED JUNE 30, 2014 AND 2013*

---

**SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*Contributions/Revenue Recognition (Continued)*

Grants other funds for specified 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.

*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 2013*

The financial information as of June 30, 2013 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

*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, 2014 and 2013. Actual results may differ from such estimates.

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED JUNE 30, 2014 AND 2013

**COMMODITY INVENTORY**

Commodity inventory consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Donated product	\$ 1,578,249	\$ 1,490,979
USDA food	14,111	49,143
Purchased product	77,833	88,654
	<u>\$ 1,670,193</u>	<u>\$ 1,628,776</u>

**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, 2014 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	\$ 180,426	\$ -	\$ 180,426	\$ 180,426
MAPS Credit Union - CD	256,708	-	256,708	256,708
Wells Fargo Advisors	-	14	14	14
Oregon Community Foundation	-	688,420	688,420	569,645
Restricted Endowment - OCF	-	139,515	139,515	113,982
	<u>\$ 437,134</u>	<u>\$ 827,949</u>	<u>\$ 1,265,083</u>	<u>\$ 1,120,775</u>

**MARION-POLK FOOD SHARE, INC.**  
(A Not-for-Profit Organization)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED JUNE 30, 2014 AND 2013

**INVESTMENTS (Continued)**

Investments at June 30, 2013 are as follows:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total Carrying Value/ Fair Value</i>	<i>Cost</i>
Smith Barney Money Market	\$ 180,503	\$ -	\$ 180,503	\$ 180,503
MAPS Credit Union - CD	252,659	-	252,659	252,659
Oregon Community Foundation	-	631,503	631,503	569,645
Restricted Endowment - OCF	-	124,081	124,081	113,982
	<u>\$ 433,162</u>	<u>\$ 755,584</u>	<u>\$ 1,188,746</u>	<u>\$ 1,116,789</u>

The money market at June 30, 2014 and 2013 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 \$115,316 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, 2014 and 2013 was \$827,935 and \$755,584, 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, 2014 AND 2013

---

**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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 755,584	\$ 697,802
Contribution	1,271	7,040
Realized/unrealized gains (losses)	114,954	67,513
Interest and dividend income	9,018	7,541
Distributions	(46,404)	(18,146)
Administrative expense	(6,488)	(6,166)
	<u>                    </u>	<u>                    </u>
Balance, end of year	<u>\$ 827,935</u>	<u>\$ 755,584</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, 2014 AND 2013*

---

### **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, 2014 AND 2013

---

**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, 2014.

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 2013 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, 2013.

**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 \$41,540 and \$51,263 for 2014 and 2013, respectively.

**PROPERTY AND EQUIPMENT**

	<u>2014</u>	<u>2013</u>
Land	\$ 6,101	\$ 6,101
Building	3,368,618	3,368,618
Furniture and equipment	1,008,405	967,507
Construction in progress	-	6,905
	<u>4,383,124</u>	<u>4,349,131</u>
Less accumulated depreciation	(1,390,467)	(1,188,605)
	<u>\$ 2,992,657</u>	<u>\$ 3,160,526</u>

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

*(A Not-for-Profit Organization)*

*NOTES TO FINANCIAL STATEMENTS (Continued)*

*YEARS ENDED JUNE 30, 2014 AND 2013*

---

**DEFERRED REVENUE**

As of June 30, 2014 and 2013, Marion-Polk Food Share, Inc. had received revenues to be used in subsequent periods as follows:

	<u>2014</u>	<u>2013</u>
Chef's Nite Out	\$ 14,500	\$ 18,455
Monster Dash	-	650
Community Supported Agriculture	3,325	2,100
	<u>\$ 17,825</u>	<u>\$ 21,205</u>

**MEALS ON WHEELS**

In December 2013, MPFS entered into an agreement with Salem-Keizer Meals on Wheels to perform management duties and act as their fiscal agent. The agreement expired on December 31, 2014 and MPFS took over all control of Meals on Wheels effective January 1, 2015. Additionally, the Board approved a \$35,000 line of credit with Meals on Wheels in February 2014. There is no outstanding balance on the line of credit at June 30, 2014.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 24, 2015, 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  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***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 net position as of June 30, 2014, 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 March 24, 2015.

#### ***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***

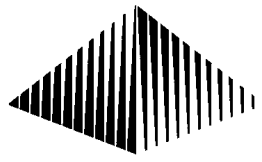
As part of obtaining reasonable assurance about whether MPFS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

March 24, 2015



## 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 OMB CIRCULAR A-133***

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MPFS' major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 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 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, 2014.

#### ***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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS  
March 24, 2015

**MARION-POLK FOOD SHARE, INC.**  
 (A Not-for-Profit Organization)  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Food Distribution Cluster</i>			
<i>Passed through Oregon Food Bank</i>			
Emergency Food Assistance Program - Administration	10.568	n/a	\$ 59,101
Emergency Food Assistance Program - Food Commodities	10.569	n/a	720,123
<i>Total Food Distribution Cluster</i>			<u>779,224</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Emergency Food and Shelter National Board Program	97.024	n/a	59,164
<i>Total Federal Expenditures</i>			<u>\$ 838,388</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, 2014**

---

*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 (MPFS) financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of MPFS, it is not intended to and does not present the financial position, changes in net assets, or the operating revenues and expenses of MPFS.

**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 MPFS 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 MPFS for the year ended June 30, 2014.

*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, 2014**

---

**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 section 510(a) of Circular A-133?	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:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.