

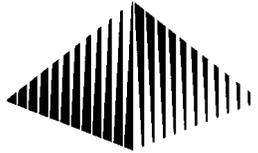
MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
FINANCIAL STATEMENTS
Year Ended June 30, 2018

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Marion-Polk Food Share, Inc. (the Food Share) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 the 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 the 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, 2018, 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 the Food Share's June 30, 2017 financial statements, and our report dated November 30, 2017 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the Food Share'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 the Food Share's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

October 11, 2018

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 (With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,390,422	\$ 1,164,929
Accounts and other receivables, net	188,255	221,913
Prepaid expenses	121,727	105,499
Inventory	638,941	672,466
	<hr/>	<hr/>
<i>Total Current Assets</i>	2,339,345	2,164,807
Investments	1,211,303	1,166,350
Property and Equipment, net of accumulated depreciation	3,164,695	3,097,584
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 6,715,343</u>	<u>\$ 6,428,741</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 103,573	\$ 62,820
Accrued payroll liabilities	100,720	86,969
Unearned revenue	61,470	73,837
	<hr/>	<hr/>
<i>Total Liabilities</i>	265,763	223,626
 Net Assets		
Unrestricted		
Undesignated, available for general activities	1,522,825	1,101,218
Net investment in property and equipment	3,164,695	3,097,584
Designated by the governing board		
Inventory	638,941	672,466
Quasi-endowment	683,041	652,591
	<hr/>	<hr/>
<i>Total Unrestricted</i>	6,009,502	5,523,859
Temporarily restricted	202,253	443,946
Permanently restricted	237,825	237,310
	<hr/>	<hr/>
<i>Total Net Assets</i>	6,449,580	6,205,115
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,715,343</u>	<u>\$ 6,428,741</u>

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

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)**

	2018			2017	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
SUPPORT AND REVENUE					
Donations including fundraisers, grants, contracts	\$ 3,275,592	\$ 1,047,508	\$ 515	\$ 4,323,615	\$ 4,033,064
Donated food/commodities	9,041,510	-	-	9,041,510	9,780,950
Investment return	69,100	24,046	-	93,146	115,157
Home delivered meals	436,339	-	-	436,339	401,339
Food service	88,071	-	-	88,071	96,940
Miscellaneous revenue	56,823	-	-	56,823	57,034
<i>Total Support and Revenue</i>	12,967,435	1,071,554	515	14,039,504	14,484,484
ASSETS RELEASED FROM RESTRICTIONS					
	1,313,247	(1,313,247)	-	-	-
EXPENSES					
<i>Program Services</i>					
Emergency food	11,062,765	-	-	11,062,765	12,022,300
Community gardens/youth farm	348,901	-	-	348,901	301,653
Meals on wheels	861,246	-	-	861,246	686,367
<i>Support Services</i>					
Management and general	525,466	-	-	525,466	541,476
Fundraising	996,661	-	-	996,661	989,211
<i>Total Expenses</i>	13,795,039	-	-	13,795,039	14,541,007
CHANGE IN NET ASSETS	485,643	(241,693)	515	244,465	(56,523)
NET ASSETS, Beginning of year	5,523,859	443,946	237,310	6,205,115	6,261,638
NET ASSETS, End of year	\$ 6,009,502	\$ 202,253	\$ 237,825	\$ 6,449,580	\$ 6,205,115

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

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)**

<i>Account Description</i>	2018			
	<i>Emergency Food</i>	<i>Community Gardens/ Youth Farm</i>	<i>Meals on Wheels</i>	<i>Total Program Activity</i>
Food distributed (donated)	\$ 9,050,593	\$ -	\$ -	\$ 9,050,593
Salaries and related expenses	1,037,580	230,465	431,355	1,699,400
Food purchased	255,357	-	235,920	491,277
Supplies, printing, and postage	28,801	12,271	13,067	54,139
Contracts and professional fees	113,277	30,070	1,802	145,149
Occupancy expenses	127,581	11,670	29,415	168,666
Program supplies	62,002	26,820	82,286	171,108
Equipment and vehicle expenses	102,222	8,645	7,953	118,820
Computer expenses	38,723	3,055	3,540	45,318
Meetings and travel expenses	20,842	1,352	4,774	26,968
Event expenses	-	995	-	995
Other expenses	576	91	38,485	39,152
Bank fees	-	24	953	977
Gift in-kind expenses	175	15,177	-	15,352
Liability insurance expense	11,086	2,120	3,656	16,862
Advertising and marketing	2,156	201	564	2,921
Volunteer and donor development	1,960	215	1,431	3,606
Network development	5,577	-	-	5,577
Membership dues	501	100	415	1,016
Total Expenses before Depreciation	10,859,009	343,271	855,616	12,057,896
Depreciation	203,756	5,630	5,630	215,016
Total Expenses	\$ 11,062,765	\$ 348,901	\$ 861,246	\$ 12,272,912

2018			
Management and General	Fundraising	Total	2017 Total
\$ -	\$ -	\$ 9,050,593	\$ 10,244,353
360,688	586,797	2,646,885	2,505,197
-	-	491,277	362,914
22,310	211,974	288,423	234,118
66,661	11,090	222,900	143,668
7,651	9,481	185,798	181,902
-	6	171,114	150,086
1,479	841	121,140	130,085
20,493	23,046	88,857	71,933
13,303	4,621	44,892	32,107
-	43,136	44,131	47,507
1,262	-	40,414	47,294
2,234	35,028	38,239	40,332
-	16,999	32,351	25,292
8,487	6,599	31,948	29,421
2,870	21,455	27,246	41,742
2,201	6,999	12,806	16,025
-	-	5,577	6,072
1,140	3,167	5,323	5,593
510,779	981,239	13,549,914	14,315,641
14,687	15,422	245,125	225,366
\$ 525,466	\$ 996,661	\$ 13,795,039	\$ 14,541,007

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

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)***STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 244,465	\$ (56,523)
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation	245,125	225,366
Gain on sale of property and equipment	(2,509)	-
Undistributed investment return	(83,847)	(95,952)
Allowance for uncollectible accounts	10,000	-
<i>Increase (decrease) in cash due to changes in assets and liabilities:</i>		
Accounts and other receivables	23,658	43,916
Prepaid expenses	(16,228)	13,241
Inventories	33,525	454,842
Accounts payable	40,753	(46,740)
Accrued payroll liabilities	13,751	9,309
Unearned revenue	(12,367)	11,897
<i>Net Cash Provided by Operating Activities</i>	<u>496,326</u>	<u>559,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(317,227)	(114,052)
Sales of property and equipment	7,500	-
Sales of investments	-	16,169
Contributions to Oregon Community Foundation	(515)	(9,872)
Distributions from Oregon Community Foundation	39,409	20,921
<i>Net Cash Used in Investing Activities</i>	<u>(270,833)</u>	<u>(86,834)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	225,493	472,522
CASH AND CASH EQUIVALENTS, Beginning of year	1,164,929	692,407
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,390,422</u>	<u>\$ 1,164,929</u>
NON-CASH TRANSACTIONS		
Food commodities received	\$ 9,041,510	\$ 9,780,950

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

YEAR ENDED JUNE 30, 2018

DESCRIPTION OF ORGANIZATION

Marion-Polk Food Share, Inc. (“Food Share”) is an Oregon non-profit corporation organized in 1986. Its stated mission is “to lead the fight to end hunger... because no one should be hungry.” The Food Share addresses this through several programs.

Emergency Food

The Food Share receives donated food from private and government sources. It also purchases food with private contributions and government grants. Emergency food is distributed to 104 agencies who, in turn, distribute food to the hungry within their communities. During the years ended June 30, 2018 and 2017, The Food Share distributed (unaudited) approximately 8,489,000 and 9,388,000 pounds of food, respectively.

Meals on Wheels

The Food Share provides hot meals daily to senior and disabled adults at two kitchen sites. Additionally, it delivers hot meals daily to homebound seniors and disabled adults. Meals are provided for a fee unless recipients qualify for support based on income.

Community Gardens/Youth Farm

The Food Share provides technical assistance and garden supplies for 58 community gardens. Access to gardens increases self-reliance and consumption of nutritious food. Food grown at the gardens is consumed by its growers. The Food Share also supports a farm operated by students. Food grown at the farm is contributed to the Emergency Food program.

Government support

The Food Share receives direct and indirect government support through several sources:

- *City of Salem* provides from its general fund for the purchase of food.
- *Commodity Supplemental Food Program* is a U.S Department of Agriculture (USDA) program that provides nutritious USDA food for low-income seniors.
- *Emergency Food Assistance Program* is a USDA program that provides food to low-income people of all ages.
- *Emergency Food and Shelter National Board Program* is a U.S Homeland Security Federal Emergency Management Agency program that funds emergency food for a broad range of people in urgent need.
- *Jobs Plus* is an Oregon Department of Human Services (DHS) program that partially funds employers who hire people currently receiving federal food assistance.
- *Medicaid* reimburses the cost of meals provided to qualified senior and disabled people.
- *Materials Management Grants* are provided by the Oregon Department of Environmental Quality for recovery of useable food to mitigate solid waste.
- *Oregon Hunger Response Fund* is a DHS program from general funds provided to acquire food, build distribution capacity, and link emergency food clients to other services.
- *Oregon Project Independence* is a DHS program that supports seniors continuing to live at home.
- *Special Programs for the Aging, Title III, part C Nutrition Services* is a U.S. Department of Health and Human Services program that funds nutritious meals and nutrition education for older adults to maintain health, independence and quality of life.
- *State Administrative Matching Grants for the Supplemental Nutrition Assistance Program* is a USDA program that provides for administrative costs of nutrition education and outreach.

Volunteers have contributed substantial hours to Food Share programs, principally repacking food, delivering meals for Meals on Wheels, and holding food and fund drives. The value of this contributed time is not reflected in these statements since it does not meet the criteria for donated services. The contributed hours (unaudited) consisted of 44,455 for 2018 and 45,891 for 2017.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. A summary of the Food Share's significant accounting policies is set forth below:

Cash and Cash Equivalents

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.

Accounts and Other Receivables

Accounts and other receivables are presented net of an allowance for uncollectible accounts based on management's periodic review and past payment experience.

Inventory

Inventory consists of food and grocery products that have been donated from private sources and the USDA as well as purchased. Donated inventory is stated at the estimated wholesale fair market value of \$1.25 per pound as of June 30, 2018 and 2017, a rate calculated by Oregon Food Bank and Feeding America. USDA commodities are stated at the value provided by the USDA. Purchased food is stated at cost on an average cost basis.

Investments

The Food Share carries at fair value all investments in debt securities and equity securities with readily determinable fair values. Included in fair value are realized and unrealized gains and losses, plus reinvested interest and dividends, less investment fees.

Property and Equipment

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

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

Accrued Payroll Liabilities

Employees accrue vacation based on tenure and job classification. Employees accumulate up to 240 hours at which time accruals cease until vacation is used. Unused vacation carries over future years. The obligation for accrued vacation is included in accrued payroll liabilities.

Net Assets

The Food Share reports its financial position and activities in one of three classes of net assets: permanently restricted, temporarily restricted, or unrestricted.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently restricted net assets consist of endowments 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 conditions.

Temporarily restricted net assets consist of contributions which are restricted by the donor for a specified purpose. When the restriction is met the contribution is released to unrestricted net assets and reported in the statement of activities.

Unrestricted net assets are not restricted by donor-imposed conditions. A portion of unrestricted net assets have been designated by the Food Share's Board of Directors for a quasi-endowment and for food inventory.

Support and Revenue Recognition

Donor-restricted support is recorded as received and recognized as either permanently or temporarily restricted revenue depending on the donor's conditions. Nonmonetary donations are recorded at their fair market value. Support from cost-reimbursement grants is recognized as the grant expenses are incurred resulting in a grant receivable. Revenue for exchange transactions such as delivered meals and investment income is recognized when earned.

Included in government support on the statement of activities is \$733,974 of food and groceries donated by USDA and passed through Oregon Food Bank.

Concentrations of Credit Risk

Cash, cash equivalents, certain investments may not be insured or the balances exceed federally insured limits. The Food Share 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

The Food Share is exempt from federal and state taxes on income under IRS Code Section 501(c)(3). Federal and state income tax returns are subject to examination by taxing authorities until the statutes of limitation expire. In general, the federal and state statutes of limitation are three years. Liabilities associated with any uncertain tax positions would be recognized in an income tax provision when they become probable and estimable.

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.

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, 2018 and 2017. Actual results may differ from such estimates.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Financial Information for 2017

The financial information as of June 30, 2017 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes with the current year financial statements.

ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Grants and other contract receivables	\$ 79,715	\$ 74,364
Client receivables	117,568	147,549
Allowance for doubtful accounts	(9,028)	-
	<u>188,255</u>	<u>221,913</u>
Accounts and other receivables, net	<u>\$ 188,255</u>	<u>\$ 221,913</u>

INVENTORY

Inventory at June 30, 2018 and 2017 consisted of food commodities and groceries sourced as follows:

	<u>2018</u>	<u>2017</u>
Donated	\$ 548,645	\$ 543,479
USDA	49,915	64,164
Purchased	40,381	64,823
	<u>638,941</u>	<u>672,466</u>
Total inventory	<u>\$ 638,941</u>	<u>\$ 672,466</u>

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)**NOTES TO FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018*

INVESTMENTS

The fair value of investments held at June 30, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 275,842	\$ 273,138
Pooled component funds	935,461	893,212
	<u> </u>	<u> </u>
Total investments	<u>\$ 1,211,303</u>	<u>\$ 1,166,350</u>

Investment return, net of fees, consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 11,138	\$ 12,149
Gain on investments:		
Net realized gain	17,320	8,591
Net unrealized gain	64,688	94,417
	<u> </u>	<u> </u>
Investment return	<u>\$ 93,146</u>	<u>\$ 115,157</u>

PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Land	\$ 6,101	\$ 6,101
Building	3,886,347	3,831,244
Furniture and equipment	696,935	693,041
Vehicles	715,672	572,205
Construction in progress	-	33,649
	<u> </u>	<u> </u>
Total property and equipment	5,305,055	5,136,240
Less accumulated depreciation	<u>(2,140,360)</u>	<u>(2,038,656)</u>
Property and equipment, net	<u>\$ 3,164,695</u>	<u>\$ 3,097,584</u>

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)**NOTES TO FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018***UNEARNED REVENUE**

As of June 30, 2018 and 2017, Marion-Polk Food Share, Inc. had received revenues to be used in subsequent periods as follows:

	<u>2018</u>	<u>2017</u>
Chef's Nite Out	\$ 17,500	\$ 19,500
Farm to Table	43,970	54,337
	<u>\$ 61,470</u>	<u>\$ 73,837</u>

TEMPORARILY RESTRICTED NET ASSETS

Donor restrictions on temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Food procurement	\$ 43,785	\$ 294,436
Meals on Wheels	60,849	126,420
Community gardens/youth farm	93,300	22,040
Management and general	4,319	1,050
	<u>\$ 202,253</u>	<u>\$ 443,946</u>

ENDOWMENTS

The Food Share follows the guidance of Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*, for an organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, which was passed in Oregon (SPMIFA). This guidance addresses net asset classification and required disclosures of donor-restricted and board designated endowments.

Donor Restricted Endowment

A permanent endowment was established by the Food Share with permanently restricted funds from donors. These funds have been invested with the Oregon Community Foundation (the "Foundation") in a pooled component fund as a permanent investment.

Board Designated Quasi-Endowment

A quasi-endowment was established by the Food Share board with designated unrestricted net assets. These funds were also invested with the Foundation in a pooled component fund and treated as a permanent investment. Under the quasi-endowment agreement, the Foundation is obligated to return the investment to the Food Share upon written request of a majority of its board of directors if in the sole judgment of the Foundation it would not be inconsistent with the objects and purposes of the Food Share or the charitable, educational, and scientific needs of the state of Oregon.

MARION-POLK FOOD SHARE, INC.*(A Not-for-Profit Organization)**NOTES TO FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2018***ENDOWMENTS (Continued)**

Endowment net assets, and changes in endowment net assets, consisted of the following at June 30, 2018:

<i>Composition of Endowment Net Assets by Type of Fund</i>	<i>Funds</i>		
	<i>Functioning as Endowment</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>
Board designated quasi endowment fund	\$ 683,041	\$ -	\$ -
Donor-restricted endowment fund	-	16,155	237,825
Total endowment net assets	<u>\$ 683,041</u>	<u>\$ 16,155</u>	<u>\$ 237,825</u>
<i>Changes in Endowment Net Assets</i>			
Endowment net assets, beginning of year	\$ 652,591	\$ 3,311	\$ 237,310
Investment return			
Investment income	5,501	2,012	-
Net appreciation (realized and unrealized)	59,969	22,034	-
Contributions	-	-	515
Appropriations of endowment assets for expenditure	(28,886)	(10,523)	-
Investment fees	(6,134)	(2,239)	-
Endowment net assets, end of year	<u>\$ 683,041</u>	<u>\$ 14,595</u>	<u>\$ 237,825</u>

Endowment net assets, and changes in endowment net assets, consisted of the following at June 30, 2017:

<i>Composition of Endowment Net Assets by Type of Fund</i>	<i>Funds</i>		
	<i>Functioning as Endowment</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>
Board designated quasi endowment fund	\$ 652,591	\$ -	\$ -
Donor-restricted endowment fund	-	3,311	237,310
Total endowment net assets	<u>\$ 652,591</u>	<u>\$ 3,311</u>	<u>\$ 237,310</u>
<i>Changes in Endowment Net Assets</i>			
Endowment net assets, beginning of year	\$ 606,317	\$ (13,657)	\$ 235,935
Investment return			
Investment income	5,551	2,015	-
Net appreciation (realized and unrealized)	75,637	27,371	-
Contributions	-	130	1,375
Appropriations of endowment assets for expenditure	(29,439)	-	-
Investment fees	(5,475)	(12,548)	-
Endowment net assets, end of year	<u>\$ 652,591</u>	<u>\$ 3,311</u>	<u>\$ 237,310</u>

The Food Share has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Share 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.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

ENDOWMENTS (Continued)

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 Food Share.

In accordance with SPMIFA, the Food Share considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: the purpose, duration, and preservation of the endowment fund, general economic conditions, the possible effects of inflation and deflation, the expected total return of investments, other resources of the Food Share, and the investment policies of the Food Share.

The Food Share appropriates for expenditure distributions of a reasonable rate of return based on a payout rate set by the Foundation. The payout rate is set for the coming year based on a 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%; if the projected return is lower than the expected payout, the distribution may be reduced but will not be lower than 4%. The payout is calculated using a 13-quarter trailing average of fund market value. This is consistent with the Food Share's objective to maintain the purchasing power of the endowments held in perpetuity.

To satisfy its long-term objectives, the Food Share and the Foundation follow a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds are invested in a diverse allocation of equities, fixed-income instruments, and alternative investment classes such as hedge funds, distressed debt, private investments and cash. The Food Share expects the investment return to exceed the results of appropriate benchmarks without putting the assets at imprudent risk.

FAIR VALUE MEASUREMENTS

The Food Share follows ASC 820-10 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants.

The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and 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.

Certain of the Food Share's financial instruments are stated at cost, which approximates fair value. This includes cash and cash equivalents, receivables, accounts payable and accrued expenses.

Investments in pooled component funds are valued at the net asset value per unit as provided by the Foundation. 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 individual trust or pooled fund agreements when quoted market prices are not available.

MARION-POLK FOOD SHARE, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

FAIR VALUE MEASUREMENTS (Continued)

The fair value of investments at June 30, 2018 were:

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Value</u>	<u>Cost</u>
Certificates of deposit	\$ 275,842	\$ -	\$ 275,842	\$ 268,891
Pooled component funds	-	935,461	935,461	-
Total investments	<u>\$ 275,842</u>	<u>\$ 935,461</u>	<u>\$ 1,211,303</u>	<u>\$ 268,891</u>

The fair value of investments at June 30, 2017 were:

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Value</u>	<u>Cost</u>
Certificates of deposit	\$ 273,138	\$ -	\$ 273,138	\$ 268,891
Pooled component funds	-	893,212	893,212	704,045
Total investments	<u>\$ 273,138</u>	<u>\$ 893,212</u>	<u>\$ 1,166,350</u>	<u>\$ 972,936</u>

PENSION PLAN

The Food Share 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 \$65,066 and \$63,048 for 2018 and 2017, respectively.

CONTINGENCIES

Most government support is subject to periodic legislative renewal that is not assured. Amounts received or receivable from contracting agencies are subject to audit and potential adjustment. A liability for repayment of those funds would be recognized when an adjustment becomes probable and estimable. It is the opinion of management that the Food Share has substantially complied with all regulations affecting such payments and that no significant adjustments will be made.

RELATED PARTIES

An officer of the Food Share served as a director for Oregon Food Bank (OFB), the state-wide food bank. OFB donated 3,661,646 pounds of food and passed through \$234,789 of grants to the Food Share in 2018. The Food Share also distributed 180,015 pounds of food to OFB in 2018.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2018, 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. (the Food Share) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Share's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Share's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Share's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Food Share's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Share's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Share's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Share's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS
October 11, 2018



GROVE, MUELLER & SWANK, P.C.

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

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

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

Report on Compliance for Each Major Federal Program

We have audited Marion-Polk Food Share, Inc.'s (the Food Share's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Share's major federal programs for the year ended June 30, 2018. The Food Share's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Share's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Share's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Food Share's 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, 2018.

Report on Internal Control over Compliance

Management of the Food Share 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 the Food Share's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Share's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS
October 11, 2018

MARION-POLK FOOD SHARE, INC.
(A Not-for-Profit Organization)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Food Distribution Cluster</i>			
Passed through Oregon Food Bank			
Commodity Supplemental Food Program	10.565	unknown	\$ 5,758
Emergency Food Assistance Program - Administration	10.568	unknown	36,879
Emergency Food Assistance Program - Food Commodities	10.569	unknown	733,974
			<hr/>
<i>Total Food Distribution Cluster</i>			776,611
<u>U.S. Department of Homeland Security</u>			
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	Phase 34	62,960
<u>U.S. General Services Administration</u>			
Passed through Oregon Department of Administrative Services	39.003	ARK43398, ARK43492	
Donation of Federal Surplus Personal Property			26,955
			<hr/>
<i>Total Federal Expenditures</i>			\$ 866,526
			<hr/> <hr/>

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, 2018

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Marion-Polk Food Share, Inc (the Food Share) under programs of the federal government for the year ended June 30, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the SEFA presents only a selected portion of the operations of the Food Share, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Share.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

MARION-POLK FOOD SHARE, INC.
 (A Not-for-Profit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.565, 10.568, 10.569

Food Distribution Cluster

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

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.