



REGIONAL FOOD BANK OF OKLAHOMA, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020 and 2019

WITH

INDEPENDENT AUDITOR'S REPORTS



CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements.....	9
Supplemental Information:	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards.....	23
Schedules of Federal Awards Contract Revenues and Expenses - Budget to Actual Contract Period to Date.....	24
Schedule of State Awards	33
Schedules of State Awards Contract Revenues and Expenses - Budget to Actual Contract Period to Date.....	34
Other Reports:	
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>	36
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	38
Schedule of Findings and Questioned Costs	40
Summary Schedule of Prior Audit Findings	42

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Regional Food Bank of Oklahoma, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Regional Food Bank of Oklahoma, Inc., its subsidiary, FoodLink LLC and its affiliate, Regional Food Bank Foundation (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Food Bank's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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* (Uniform Guidance) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of state awards and schedules of federal and state award contract revenues and expenses - budget to actual contract period to date, are presented for purpose of additional analysis and are not a required part of the basic 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Bank's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
September 28, 2020

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 11,196,983	\$ 4,265,644
Accounts receivable, less allowance for doubtful accounts	755,633	1,311,032
Pledges and grants receivable, net	3,114,904	3,257,429
Inventory	9,781,093	7,785,424
Prepaid expenses	365,160	276,562
Investments	7,512,356	8,108,961
Beneficial interests in assets held by community foundations	841,711	837,626
Leased property under capital leases, net of accumulated amortization	1,861,120	1,354,271
Property, plant and equipment, net of accumulated depreciation	14,472,437	15,187,338
Total assets	\$ 49,901,397	\$ 42,384,287
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 749,569	\$ 562,836
Accrued expenses	850,585	349,621
Capital lease obligations	1,894,992	1,369,179
Notes payable	1,166,225	-
Total liabilities	4,661,371	2,281,636
Net assets:		
Without donor restrictions:		
Undesignated	12,613,875	10,123,980
Board designated	5,598,248	6,417,214
Invested in fixed assets	14,438,565	15,187,338
Total net assets without donor restrictions	32,650,688	31,728,532
With donor restrictions	12,589,338	8,374,119
Total net assets	45,240,026	40,102,651
Total liabilities and net assets	\$ 49,901,397	\$ 42,384,287

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended June 30, 2020
(and Comparative Totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Comparative Totals for 2019
Revenues, Gains and Other Support				
Value of contributed inventory, including USDA commodities	\$ 71,966,451	\$ -	\$ 71,966,451	\$ 68,665,694
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,403,712	-	3,403,712	3,900,948
Government contracts and grants	2,805,946	-	2,805,946	1,910,879
Contributions:				
Corporate	1,359,330	1,850,620	3,209,950	1,828,579
Grants and foundations	1,137,986	2,017,470	3,155,456	2,949,129
Individuals	3,242,991	5,679,069	8,922,060	4,764,730
Special events	-	-	-	62,030
Other	573,033	1,236,388	1,809,421	1,105,996
Other income	262,711	-	262,711	235,633
Interest income	194,337	54,743	249,080	300,256
Net unrealized/realized gain (loss) on investments	(17,503)	(8,038)	(25,541)	146,159
Net assets released from restriction	6,615,033	(6,615,033)	-	-
Total revenues, gains and other support	91,544,027	4,215,219	95,759,246	85,870,033
Expenses				
Program services:				
Value of inventory distributed, including shrinkage and spoilage	71,371,657	-	71,371,657	66,337,287
Other program services	15,609,808	-	15,609,808	14,817,483
	86,981,465	-	86,981,465	81,154,770
Supporting services:				
Management and general	1,522,185	-	1,522,185	1,259,461
Fundraising	2,118,221	-	2,118,221	2,349,121
Total expenses	90,621,871	-	90,621,871	84,763,352
Change in net assets	922,156	4,215,219	5,137,375	1,106,681
Net assets, beginning of year	31,728,532	8,374,119	40,102,651	38,995,970
Net assets, end of year	\$ 32,650,688	\$ 12,589,338	\$ 45,240,026	\$ 40,102,651

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended June 30, 2019
(and Comparative Totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Comparative Totals for 2018
Revenues, Gains and Other Support				
Value of contributed inventory, including USDA commodities	\$ 68,215,797	\$ 449,897	\$ 68,665,694	\$ 66,548,702
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,900,948	-	3,900,948	3,278,754
Government contracts and grants	1,910,879	-	1,910,879	1,911,633
Contributions:				
Corporate	1,143,567	685,012	1,828,579	2,776,745
Grants and foundations	731,860	2,217,269	2,949,129	2,161,069
Individuals	3,361,375	1,403,355	4,764,730	5,995,603
Special events	62,030	-	62,030	55,845
Other	204,955	901,041	1,105,996	668,793
Other income	235,633	-	235,633	127,833
Interest income	222,700	77,556	300,256	276,255
Net unrealized/realized gain on investments	134,438	11,721	146,159	127,335
Net assets released from restriction	4,927,651	(4,927,651)	-	-
Total revenues, gains and other support	85,051,833	818,200	85,870,033	83,928,567
Expenses				
Program services:				
Value of inventory distributed, including shrinkage and spoilage	66,337,287	-	66,337,287	67,272,600
Other program services	14,817,483	-	14,817,483	14,229,756
Building donation, at fair value	-	-	-	1,433,883
	81,154,770	-	81,154,770	82,936,239
Supporting services:				
Management and general	1,259,461	-	1,259,461	1,550,510
Fundraising	2,349,121	-	2,349,121	2,066,825
Total expenses	84,763,352	-	84,763,352	86,553,574
Change in net assets	288,481	818,200	1,106,681	(2,625,007)
Net assets, beginning of year	31,440,051	7,555,919	38,995,970	41,620,977
Net assets, end of year	\$ 31,728,532	\$ 8,374,119	\$ 40,102,651	\$ 38,995,970

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services							Total Program Services	Supporting Services		Total
	Disaster Relief	General Operations	Childhood Hunger	Senior Feeding	Moore FRC	Packed Promise	Assembly, Warehousing, and Distribution		Management and General	Fundraising	
Value of inventory distributed, including shrinkage and spoilage	\$ -	\$ 71,371,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,371,657	\$ -	\$ -	\$ 71,371,657
Food supplements - purchased inventory utilized	-	357,820	-	-	-	-	-	357,820	-	-	357,820
Personnel expenses	224,370	1,649,172	574,756	57,249	281,649	61,878	2,195,351	5,044,425	1,151,329	1,051,328	7,247,082
Equipment rental and maintenance	1,340	284,766	22,916	-	7,963	10,512	67,384	394,881	19,309	82,905	497,095
Occupancy	310	225,601	36,404	1,027	55,159	95	317,164	635,760	43,357	10,685	689,802
Program costs	1,694,372	165,137	2,733,805	122,639	25,396	689,465	39,104	5,469,918	-	1,053	5,470,971
Agency Support	558,777	-	-	-	-	-	-	558,777	-	-	558,777
Transportation	9,157	815,718	181,556	115,358	15,653	27,297	70,569	1,235,308	151	1,111	1,236,570
Professional services	6,000	20,634	497	-	2,325	-	3,350	32,806	136,307	615,506	784,619
Special events	2,710	184	71	-	-	-	393	3,358	3,411	31,087	37,856
Supplies	122,236	52,284	12,509	64	4,148	2,675	127,272	321,188	12,943	26,456	360,587
Travel	17,919	19,824	5,174	673	703	-	11,031	55,324	24,199	20,884	100,407
Depreciation and amortization	-	764,662	242	-	23,290	-	550,323	1,338,517	31,128	29,547	1,399,192
Other	3,150	54,661	5,783	36	1,775	-	96,321	161,726	100,051	247,659	509,436
	<u>\$ 2,640,341</u>	<u>\$ 75,782,120</u>	<u>\$ 3,573,713</u>	<u>\$ 297,046</u>	<u>\$ 418,061</u>	<u>\$ 791,922</u>	<u>\$ 3,478,262</u>	<u>\$ 86,981,465</u>	<u>\$ 1,522,185</u>	<u>\$ 2,118,221</u>	<u>\$ 90,621,871</u>

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Services						Supporting Services			
	Disaster Relief	General Operations	Childhood Hunger	Senior Feeding	Moore FRC	Assembly, Warehousing, and Distribution	Total Program Services	Management and General	Fundraising	Total
Value of inventory distributed, including shrinkage and spoilage	\$ -	\$ 66,337,287	\$ -	\$ -	\$ -	\$ -	\$ 66,337,287	\$ -	\$ -	\$ 66,337,287
Food supplements - purchased inventory utilized	-	1,160,564	-	-	-	-	1,160,564	-	-	1,160,564
Personnel expenses	4,418	1,867,230	412,620	86,131	256,448	2,330,199	4,957,046	937,281	1,140,838	7,035,165
Equipment rental and maintenance	-	311,639	11,036	296	5,195	65,377	393,543	22,445	80,497	496,485
Occupancy	-	172,797	5,957	664	50,739	307,297	537,454	34,114	15,698	587,266
Program costs	97,354	355,467	3,468,036	124,936	43,669	-	4,089,462	304	-	4,089,766
Transportation	2,896	1,442,340	216,855	119,949	12,723	120,825	1,915,588	1,092	2,206	1,918,886
Professional services	-	3,075	-	-	-	4,757	7,832	97,355	720,691	825,878
Special events	-	26	-	-	-	679	705	352	158,478	159,535
Supplies	17,692	46,119	78	133	4,692	119,689	188,403	17,013	29,449	234,865
Travel	5,755	41,246	5,120	42	743	12,502	65,408	40,116	13,832	119,356
Depreciation and amortization	-	845,350	242	-	27,462	516,939	1,389,993	35,015	42,540	1,467,548
Other	2,375	62,370	968	126	2,510	43,136	111,485	74,374	144,892	330,751
	<u>\$ 130,490</u>	<u>\$ 72,645,510</u>	<u>\$ 4,120,912</u>	<u>\$ 332,277</u>	<u>\$ 404,181</u>	<u>\$ 3,521,400</u>	<u>\$ 81,154,770</u>	<u>\$ 1,259,461</u>	<u>\$ 2,349,121</u>	<u>\$ 84,763,352</u>

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 5,137,375	\$ 1,106,681
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,399,192	1,467,548
Value of contributed inventory	(71,966,451)	(68,665,694)
Value of inventory distributed, including shrinkage and spoilage	71,371,657	66,337,287
Provision for doubtful receivables	154,306	69,510
Contributions for long-term purposes	(1,000)	(1,000)
Gain on disposal of property, plant and equipment	-	(14,471)
Net unrealized/realized (gain) loss on investments	25,541	(146,159)
Changes in operating assets and liabilities:		
Accounts receivable	555,399	(814,361)
Pledges and grants receivable	(166,781)	(560,940)
Inventory	(1,400,875)	119,595
Prepaid expenses	(88,598)	(104,559)
Accounts payable	186,733	(21,445)
Accrued expenses	500,964	(214,197)
Net cash provided by (used in) operating activities	5,707,462	(1,442,205)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(400,991)	(242,021)
Proceeds from sales of property, plant and equipment	-	14,471
Purchases of investments	(5,821,040)	(3,719,322)
Proceeds from sales of investments	6,388,019	6,141,453
Net cash provided by investing activities	165,988	2,194,581
Cash Flows from Financing Activities		
Contributions for endowment	1,000	1,000
Contributions for capital improvements	155,000	115,000
Proceeds from notes payable	1,166,225	-
Payments on capital lease obligations	(264,336)	(189,159)
Net cash provided by (used in) financing activities	1,057,889	(73,159)
Net increase in cash	6,931,339	679,217
Cash and cash equivalents, beginning of year	4,265,644	3,586,427
Cash and cash equivalents, end of year	\$ 11,196,983	\$ 4,265,644
Supplemental Cash Flow Information		
Equipment acquired through capital lease obligations	\$ 800,149	\$ 1,423,805

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 – Nature of Operations

Regional Food Bank of Oklahoma, Inc. (RFB) was established in May 1980. Its primary activities include solicitation and receipt of food items from local, regional and national food companies that are distributed to other charitable feeding programs in 53 central and western Oklahoma counties. FoodLink, LLC (FoodLink) and Regional Food Bank Foundation (Foundation) are Oklahoma not-for-profit corporations, which were formed exclusively to support the activities, affairs and programs of the RFB.

The Boards of Directors of RFB, FoodLink and Foundation elected to restructure the organizations effective July 1, 2018. FoodLink Inc. was converted to FoodLink LLC, an Oklahoma nonprofit limited liability company, and will continue to hold real property used in RFB programs and operations. RFB is the sole member of FoodLink LLC. The Foundation, whose Board of Directors is elected by the RFB Board of Directors, will continue to hold investments and operating reserves for RFB. This organizational restructuring did not have any impact on the consolidated financial statements of Food Bank.

Note 2 – Summary of Significant Accounting Policies

Consolidated financial statements

The consolidated financial statements include the activities and net assets of RFB and its wholly owned subsidiary, FoodLink, and its commonly controlled affiliate, Foundation (collectively, Food Bank). All material intercompany transactions have been eliminated in the consolidated financial statements.

Basis of presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. The assets, liabilities and net assets of Food Bank are reported in two classes of net assets as follows:

- *Net assets without donor restrictions:* Net assets without donor restrictions are available for use at the discretion of Food Bank's Board of Directors and/or management for general operating purposes. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Board-designated net assets are subject to self-imposed limits by action of the Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of property and equipment, or other uses.
- *Net assets with donor restrictions:* Net assets with donor restrictions consists of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or occurrence of a future event specified by the donor. Other donor-imposed restrictions are perpetual in nature.

Cash and cash equivalents

Food Bank considers certificates of deposit, money market funds, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2020 and 2019, Food Bank had \$783,964 and \$776,457 in cash equivalents, respectively.

Contributions

Unconditional promises to give are recognized as contribution revenue in the period the promise to give is made by the donor, and as assets, decreases of liabilities or expense, depending on the form of the benefit received. Promises to give are recorded at the estimated net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Food Bank reports gifts of cash and other assets and unconditional promises to give as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Food Bank reports gifts of long-lived assets as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed food is recognized as support without donor restrictions when received and as program expenses when distributed.

Contract revenues under grants for reimbursement of expenditures are recognized as revenues without donor restrictions in the period in which the expenditures in compliance with the specific grant restrictions are incurred.

Donated services

Food Bank uses, to varying degrees, the services of unpaid volunteers in conducting its warehousing and distribution activities. For the years ended June 30, 2020 and 2019, approximately 32,000 and 44,800 volunteer visits resulted in approximately 81,500 and 166,700 hours of service, respectively. No amounts have been reflected in the accompanying consolidated financial statements for such donated services because they do not meet the criteria for recognition.

Other revenue

Food Bank's revenue from customers in the scope of Accounting Standards Codification (ASC) 606 is related to delivery fees for over-the-road (OTR) trucking. OTR trucking revenue is associated with the backhaul and headhaul of products on behalf of another party when delivering or acquiring food for use in Food Bank operations. Pricing for each haul is determined by the Transportation Team based on market conditions at the time the load is bid. Food Bank recognizes revenue for OTR trucking activities upon delivery of each load.

Inventory

Inventory consists of contributed and purchased food and other products and is valued at prevailing amounts available as of the beginning of the fiscal year determined as follows:

- United States Department of Agriculture (USDA) contributed food items are valued at the amount for one pound of product as established by the USDA.
- Contributed food and other products from other sources are valued at the weighted average wholesale amount for one pound of product as estimated by Feeding America.

For the year ended June 30, 2020, contributed food and other products from other sources were valued using the Feeding America report dated June 20, 2019, related to the year ended December 31, 2018. For the year ended June 30, 2019, contributed food and other products from other sources were valued using the Feeding America report dated June 23, 2018, related to the year ended December 31, 2017.

- Purchased food and other products are stated at the lower of cost (determined on the first-in, first-out method) or market.

Investments

Food Bank's investments, which are held under managerial agency agreements, include equity securities, pooled mutual funds, exchange traded funds, U.S. treasury securities, certificates of deposit and money market funds, which are carried at fair value, based upon quoted market prices or dealer quotes. Unrealized and realized gains and losses, net of external and internal investment expenses, are reported in the consolidated statements of activities. Donated investment instruments are initially recorded at estimated fair value at the date of the donation.

Property, plant and equipment

Property, plant and equipment is recorded at historical cost or estimated fair value at date of donation. Depreciation of these assets is provided on the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 39 years. Maintenance and repair costs are expensed as incurred, while renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the consolidated statements of activities for the period.

Allocation of expenses

Costs of providing Food Bank's various programs and supporting services have been summarized on a functional basis in the statements of activities. Salaries and wages are allocated based on actual staff position. Administrative expenses are allocated to each area based on an estimate of usage. Occupancy expenses are allocated based upon square footage and communication expenses are allocated based upon headcount.

Capital leases

Food Bank leases transportation equipment and vehicles under various capital leases, which are recorded at the lower of the present value of the minimum lease payments or the fair value of the transportation equipment and vehicles at the inception of the lease.

Amortization of capital leases are computed using the straight-line method over the shorter of the estimated useful life of the asset or the period of the related lease (seven years).

Income taxes

Food Bank has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code (the Code) and is exempt from taxes under Section 501(c)(3) of the Code. Continued compliance with applicable tax regulations affords Food Bank the opportunity to maintain its tax-exempt status.

Use of estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions in

determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments which potentially subject Food Bank to credit risk consist of accounts receivable, pledges receivable and investments. Credit risk for all of Food Bank's receivables is concentrated because the majority of the balances are receivable from individuals and entities located within the same geographic region.

Food Bank maintains its cash and cash equivalents in accounts which typically exceed federally insured amounts. Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Food Bank's investments consist of various equity and fixed income securities funds. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

Approximately 34% of the pledges receivable balance were from two significant donors at June 30, 2020. At June 30, 2019, approximately 55% of the pledges receivable balance were from three significant donors.

Adoption of new accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, an ASU on a comprehensive new revenue recognition standard that supersedes ASC 605, *Revenue Recognition*. The new accounting guidance creates a framework under which an entity allocates the transaction price to separate performance obligations and recognizes revenue when each performance obligation is satisfied. Under the new standard, entities are required to use judgment and make estimates, including identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price, allocating the transaction price to each separate performance obligation, and determining when an entity satisfies its performance obligations. The standard allows for either "full retrospective" adoption, meaning that the standard is applied to all of the periods presented with a cumulative catch-up as of the earliest period presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements with a cumulative catch-up as of the current period.

On July 1, 2019, Food Bank adopted ASU 2014-09 using the modified retrospective method of adoption to all contracts with customers that were not completed as of July 1, 2019. Food Bank completed its adoption of ASU 2014-09 and determined that there is no impact to its consolidated financial statements, results of operations or liquidity. Additionally, when comparing Food Bank's historical revenue recognition to the newly applied revenue recognition under Topic 606, there was no change to the amount or timing of revenue recognized.

In conjunction with the adoption of ASU 2014-19, Food Bank adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is

reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU was adopted on a modified prospective basis on July 1, 2019. The adoption of this ASU resulted in no impact to Food Bank's consolidated financial statements.

Accounting pronouncement not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, for nonpublic entities, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Food Bank is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Subsequent events

Management has evaluated subsequent events through September 28, 2020, the date the consolidated financial statements were available to be issued.

Note 3 – Liquidity and Availability of Resources

Financial assets, available for general expenditure, that is, without donor or other contractual restrictions, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,625,530	\$ 2,073,692
Accounts receivable	755,633	1,311,032
Pledges receivable	1,400,036	915,483
Investments	2,277,516	2,545,266
Invested operating reserves	3,286,232	3,871,948
	<u>\$ 12,344,947</u>	<u>\$ 10,717,421</u>

Food Bank maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. Food Bank regularly monitors liquidity required for operations through a rolling 12-month cash forecast, which is provided to the Board of Directors on a monthly basis. On a quarterly basis, the actual and forecasted cash position is reviewed by the Treasurer, Finance Committee and the Board of Directors.

Food Bank has various sources of liquidity at its disposal, including cash, cash equivalents, investments without restrictions, operating reserves invested in certificates of deposit, and pledge payments due in the coming year. Investments held as either donor- or board-designated endowment, or otherwise restricted, are not available for general expenditures and, therefore, are not included above.

Note 4 – Pledges and Grants Receivable

Pledges and grants receivable are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 1,400,036	\$ 915,483
One to five years	1,927,468	2,626,326
Total pledges and grants receivable	3,327,504	3,541,809
Less allowance for uncollectible pledges	(45,756)	(38,448)
Less discount to present value	(166,844)	(245,932)
Net pledges and grants receivable	<u>\$ 3,114,904</u>	<u>\$ 3,257,429</u>

Pledges receivable expected to be received in more than one year are discounted at 4.25% for 2020, and 6.5% for 2019. Substantially all pledges and grants receivable are restricted for use in a future period or for a specific program of Food Bank.

Note 5 – Inventory

Inventory is comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
USDA contributed food	\$ 4,668,752	\$ 1,265,902
Purchased food	2,388,688	987,912
Other contributed food	2,723,653	5,531,610
	<u>\$ 9,781,093</u>	<u>\$ 7,785,424</u>

Note 6 – Property, Plant and Equipment

Property, plant and equipment is comprised of the following at June 30:

	<u>Useful Life</u>	<u>2020</u>	<u>2019</u>
Land		\$ 364,655	\$ 364,655
Building	39 years	19,229,284	19,119,398
Furniture and fixtures	5 - 7 years	890,243	890,243
Transportation equipment	3 - 5 years	1,229,325	1,278,539
Warehouse equipment and improvements	5 - 7 years	3,526,276	3,418,809
Agency equipment	5 - 7 years	967,161	967,161
Computer software	3 - 5 years	1,135,131	1,135,131
Construction in process		127,985	46,269
		27,470,060	27,220,205
Less: accumulated depreciation		12,997,623	12,032,867
Property, plant and equipment, net		<u>\$ 14,472,437</u>	<u>\$ 15,187,338</u>

Note 7 – Notes Payable

In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. As a result, the U.S. Small Business Administration (SBA) administered the Payroll Protection Program (PPP) designed to provide a direct incentive for small businesses to keep their workers on the payroll. During 2020, Food Bank entered into a PPP loan through the SBA in the amount of \$1,143,900. Payments are scheduled to begin on November 7, 2020, in monthly installments of \$64,055, with a 1% fixed interest rate with all remaining principal and accrued interest due and payable two years from date of promissory note. This note has the ability to be completely forgiven by the SBA as long as the employee retention criteria are met, and the funds are used for eligible expenses. As of June 30, 2020, there has been no notification of formal forgiveness of this amount although management of Food Bank believes this amount will be fully forgiven.

During 2020, Food Bank purchased warehouse equipment, through an unsecured note payable in the amount of \$23,554 to an equipment finance company, due in monthly installments of \$800, through March 2023.

Note 8 – Capital Lease Obligations

During 2020, Food Bank entered into new leases for transportation equipment and vehicles that will expire in various years through March 2027. Transportation equipment and vehicles under capital leases for the years ended June 30, 2020 and 2019, were \$2,228,592 and \$1,449,793, with accumulated amortization of \$367,472 and \$95,522, respectively.

Following is a schedule of the future minimum lease payments under capital leases which approximates the present value of the net minimum lease payments as of June 30, 2020:

<u>Year ending June 30,</u>	
2021	\$ 392,180
2022	391,793
2023	380,125
2024	367,642
2025	346,221
Thereafter	<u>99,612</u>
	1,977,573
Less imputed interest	<u>(82,581)</u>
Present value of net minimum lease payments	<u><u>\$ 1,894,992</u></u>

Note 9 – Handling Fees

Member agencies paid up to \$0.19 per pound of food distributed for the years ended June 30, 2020 and 2019, for a respective share of Food Bank's operating expenses. Purchased products can carry a handling fee of up to \$0.19 per pound in both 2020 and 2019. The Emergency Food Assistance Program (TEFAP) product did not carry a handling fee. Total agency handling fees were approximately \$834,000 and \$750,000 for years ended June 30, 2020 and 2019, respectively.

Note 10 – Employee Benefit Plans

Food Bank has a defined contribution retirement plan covering all employees who have been employed by Food Bank for one or more years. Food Bank may make contributions to the plan annually at the discretion of the Board of Directors (the Board). Contributions for the years ended June 30, 2020 and 2019, were \$142,900 and \$129,522, respectively.

Note 11 – Beneficial Interests in Assets Held by Community Foundations

Food Bank is the beneficiary of certain endowment funds at the Oklahoma City Community Foundation (OCCF) and The Communities Foundation of Oklahoma (CFO). OCCF and CFO are not-for-profit entities that provide for endowment transfer contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Transfers to the endowment funds are permitted by not-for-profit entities, as well as contributions by individual donors in the community who designate the beneficiary of their contributions. OCCF and CFO maintain variance power and legal ownership over all assets transferred and contributed. Earnings on these endowed funds are distributed annually in accordance with the terms of the endowment and spending policies of each foundation.

Food Bank made no contributions to OCCF or CFO for the years ended June 30, 2020 or 2019. The fair value of endowed funds transferred by Food Bank to OCCF and CFO at June 30, 2020 and 2019, including reinvested earnings and net of distributions, are reflected in the consolidated statements of financial position as beneficial interests in assets held by community foundations.

The fair value of endowed funds held by OCCF that were contributed directly to OCCF by donors for the benefit of Food Bank was \$241,258 and \$248,340 at June 30, 2020 and 2019, respectively. The fair value of endowed funds held by CFO at June 30, 2020 and 2019, for the benefit of Food Bank that were contributed directly to CFO by donors, was \$42,390 and \$43,943, respectively. These endowed funds are not reflected in Food Bank's accompanying consolidated statements of financial position.

Note 12 – Endowment Funds

The Board interprets Oklahoma law as requiring the preservation of the fair value of the original donor-restricted endowment funds as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, Food Bank classifies net assets with donor restrictions by (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Food Bank in a manner consistent with the standard of prudence prescribed by Oklahoma law and in accordance with original donor stipulations, if any.

Food Bank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that Food Bank must hold either in perpetuity or for a donor-specified period of time. Under this policy, as approved by the Board, the assets are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions to support Food Bank.

To satisfy its long-term rate-of-return objectives, Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Food Bank targets a diversified asset allocation that places a greater emphasis on equity-based investments (a maximum position of 70% and a minimum position of 50%) to achieve its long-term return objectives within prudent risk constraints. However, if at any time the value of the funds falls below the fully funded corpus amount, the Board will not make an expenditure request. Food Bank maintains the following endowments:

- Donald W. Reynolds Distribution Center Endowment Fund. This endowment fund was originally established as a permanent donor-restricted fund created to provide earnings for the ongoing maintenance of Food Bank's distribution facility, the Donald W. Reynolds Distribution Center. During fiscal year 2013, the donor re-designated this fund from assets required to be held in perpetuity to purpose-restricted assets, making them available for use. Donald W. Reynolds Foundation, the donor, ceased active operations effective December 31, 2017. While Food Bank is expected to adhere to and satisfy the stated provisions of the original grant, variance power over this fund was effectively transferred to the Board of Directors of Food Bank. Accordingly, in the 2018 fiscal year, this fund was reclassified within the endowment from restricted (net assets with donor restrictions) to board designated (net assets without donor restrictions).
- Donald W. Reynolds Foundation Restricted Fund. This fund is a donor-restricted fund created to provide earnings for the ongoing operations of the programs offered by Food Bank. It is the intent of the Donald W. Reynolds Foundation that the life of the Restricted Fund for Programs would be a minimum of 20 years with earnings, dividends, capital gains and 5% of the corpus being available each year to fund programs. Donald W. Reynolds Foundation, the donor, ceased active operations effective December 31, 2017. While Food Bank is expected to adhere to and satisfy the stated provisions of the original grant, variance power over this fund was effectively transferred to the Board of Directors of Food Bank. Accordingly, this fund was reclassified within the endowment from restricted (net assets with donor restrictions) to board designated (net assets without donor restrictions).
- Childhood Hunger Endowment Fund. This endowment fund is a donor-restricted fund, to be held in perpetuity, created to provide earnings for Food Bank's Childhood Hunger program.
- Equipment Restricted Endowment Fund. This fund includes board-designated and donor-restricted amounts created to fund the orderly replacement and major repair of vital equipment and rolling stock used in warehouse and distribution operations. At June 30, 2020 and 2019, \$674,866 and \$673,260, respectively, of this fund is held by CFO (see Note 10).
- Endowment funds held by community foundations (see Note 10).

Food Bank's endowment net asset composition, by type, is as follows at June 30:

	2020	2019
Donor restricted endowment funds	\$ 2,053,788	\$ 2,317,492
Board designated endowment funds	2,277,516	2,545,266
Total endowment	<u>\$ 4,331,304</u>	<u>\$ 4,862,758</u>

Changes in Food Bank's endowment fund net assets for the years ended June 30, consist of the following:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Endowment net assets, June 30, 2019	\$ 2,545,266	\$ 807,726	\$ 1,509,766	\$ 4,862,758
Investment gain (loss):				
Investment income	69,945	54,743	-	124,688
Net appreciation (realized and unrealized)	(26,430)	493	-	(25,937)
Investment fees	(15)	(8,531)	-	(8,546)
Net investment gain	43,500	46,705	-	90,205
Contributions			1,000	1,000
Appropriations for expenditure	(311,250)	(311,409)	-	(622,659)
Endowment net assets, June 30, 2020	\$ 2,277,516	\$ 543,022	\$ 1,510,766	\$ 4,331,304
	Without Donor Restrictions	With Donor Restrictions		Total
		Time/Purpose	Perpetual	
Endowment net assets, June 30, 2018	\$ 3,646,181	\$ 964,154	\$ 1,508,766	\$ 6,119,101
Investment gain (loss):				
Investment income	80,134	77,555	-	157,689
Net appreciation (realized and unrealized)	114,686	67,456	-	182,142
Investment fees	(15)	(7,762)	-	(7,777)
Net investment gain	194,805	137,249	-	332,054
Contributions	10,000	-	1,000	11,000
Appropriations for expenditure	(1,305,720)	(293,677)	-	(1,599,397)
Endowment net assets, June 30, 2019	\$ 2,545,266	\$ 807,726	\$ 1,509,766	\$ 4,862,758

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires Food Bank to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2020 or 2019.

Note 13 – Commitments

Government Contracts

Food Bank has a contract with the Oklahoma Department of Human Services (ODHS) under which it receives and distributes, as a subrecipient, USDA contributed food and receives reimbursement of related storage and distribution costs. The current contract period runs from October 1, 2019 through September 30, 2020, and Food Bank anticipates that its ODHS contract will be renewed for the period ending September 30, 2021.

The funds available under this contract are restricted to purposes and activities approved by ODHS during the contract period. For the years ended June 30, 2020 and 2019, under this contract Food Bank recognized revenue and support of approximately \$20,700,000 and \$8,900,000 for contributed food and \$1,500,000 and \$1,500,000 for reimbursement of costs, respectively.

Note 14 – Fair Value Measurements

The FASB Accounting Standards Codification established a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value.

These inputs are summarized in the three broad levels listed below:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2020 or 2019. During the years ended June 30, 2020 and 2019, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3. Following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of investments in money market funds, exchange traded funds, equity securities, U.S. treasury securities and pooled mutual funds are based upon quoted market prices for identical assets and are classified within Level 1.

Beneficial interest in assets held by others is measured at fair value using Level 3 inputs. Since OCCF and CFO maintain variance power for the beneficial interests held, there is no potential market for the beneficial interests or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the beneficial interest. The underlying investments include cash equivalents, corporate obligations, equity securities and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

The following table sets forth by level, within the fair value hierarchy, Food Bank's assets that are measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 4,169,191	\$ -	\$ -	\$ 4,169,191
Equity securities	34,500	-	-	34,500
Pooled mutual funds	1,828,828	-	-	1,828,828
Exchange traded funds	1,479,837	-	-	1,479,837
Total investments	7,512,356	-	-	7,512,356
Beneficial interest in assets held at OCCF and CFO	-	-	841,711	841,711
Total assets at fair value	<u>\$ 7,512,356</u>	<u>\$ -</u>	<u>\$ 841,711</u>	<u>\$ 8,354,067</u>

The following table sets forth by level, within the fair value hierarchy, Food Bank's assets that are measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 4,509,683	\$ -	\$ -	\$ 4,509,683
Equity securities	1,212,985	-	-	1,212,985
Pooled mutual funds	1,660,865	-	-	1,660,865
U.S. treasury securities	199,359	-	-	199,359
Exchange traded funds	526,069	-	-	526,069
Total investments	8,108,961	-	-	8,108,961
Beneficial interest in assets held at OCCF and CFO	-	-	837,626	837,626
Total assets at fair value	<u>\$ 8,108,961</u>	<u>\$ -</u>	<u>\$ 837,626</u>	<u>\$ 8,946,587</u>

The following table summarizes the changes in fair value of Food Bank's Level 3 financial assets for the year ended June 30:

	Beneficial Interests in Assets Held by Community Foundations	
	2020	2019
Balance at July 1	\$ 837,626	\$ 866,132
Net investment performance	46,120	13,218
Distributions to Food Bank	(42,035)	(41,724)
Balance at June 30	<u>\$ 841,711</u>	<u>\$ 837,626</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to Food Bank by OCCF and CFO. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions from OCCF and CFO decrease Food Bank's beneficial interest and increase cash at the

time of distribution. The change in value is included in net unrealized and realized gain on investments in the statements of activities.

Note 15 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Food resource centers and capital campaign	\$ 19,783	\$ 29,283
General operating	2,044,982	2,856,966
Childhood hunger programs	277,681	477,488
Restricted fund for programs	802,926	750,469
Disaster relief	5,506,441	752,131
Organizational sustainability and improvement	1,454,207	1,590,358
Other	<u>972,552</u>	<u>407,658</u>
	11,078,572	6,864,353
Not available for appropriation or expenditure:		
Endowments held in perpetuity	<u>1,510,766</u>	<u>1,509,766</u>
	<u>\$ 12,589,338</u>	<u>\$ 8,374,119</u>

Net assets held in perpetuity of \$1,510,766 and \$1,509,766 at June 30, 2020 and 2019, respectively, include funds held in Food Bank's endowment to support equipment maintenance, operations and childhood hunger programs (see Note 12).

Note 16 – Related Party Transactions

Food Bank has pledge receivables of approximately \$673,000 and \$835,000 at June 30, 2020 and 2019, respectively, from members of Food Bank's Board of Directors.

Note 17 – Uncertainty

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of Food Bank. The uncertainties include market value fluctuations of investments and potential impact on donor contributions. The duration of these uncertainties and ultimate financial effects cannot be reasonably estimated at this time.

SUPPLEMENTAL INFORMATION

REGIONAL FOOD BANK OF OKLAHOMA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Dept. of Agriculture:				
Pass-through Oklahoma Dept. of Human Services:				
Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	\$ 20,495,013	\$ 20,495,013
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	185,741	185,741
Emergency Food Assistance Program (Administrative Costs)	10.568	55210	-	1,251,274
Commodity Supplemental Food Program	10.565	55210	-	247,693
Subtotal of Food Distribution Cluster			20,680,754	22,179,721
Pass-through Oklahoma Dept. of Education:				
Child and Adult Care Food Program	10.558	DC-55-811	-	507,438
Summer Food Service Program	10.559	55-X514	-	686,470
Total U.S. Department of Agriculture			20,680,754	23,373,629
U.S. Dept. of Health and Human Services:				
Pass-through Oklahoma Dept. of Human Services:				
TANF Support for Commodity Distribution	93.558	17007716	-	227,500
Corporation for National and Community Service:				
Pass-through Red River Community Corps, Inc.:				
Oklahoma In Action AmeriCorps Program	94.006		-	5,600
Total federal expenditures			\$ 20,680,754	\$ 23,606,729

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of RFB and is presented on the accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

Note 2 – Indirect Cost Rate

RFB has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Nonmonetary Assistance

Nonmonetary assistance is reported in the accompanying schedule of expenditures of federal awards based on amount received. At June 30, 2020, RFB had U.S. Department of Agriculture commodities inventory of \$4,668,752.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

Year ended June 30, 2020

Contract title: USDA and DHHS Emergency Food Assistance Programs
 Contract agency: Oklahoma Department of Human Services
 Contract numbers: 55210 and 17007716
 Contract dates: 10/1/19 - 9/30/20

	Program Budget	Year Ended June 30, 2020	Prior Years	Cumulative To Date
	<hr/>	<hr/>	<hr/>	<hr/>
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 1,726,467	\$ 1,726,467	\$ -	\$ 1,726,467
Expenses:				
Storage and distribution	1,726,467	1,726,467	-	1,726,467
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commodities:				
Inventory at beginning of period	N/A	\$ 1,230,046	N/A	N/A
Value of commodities received	N/A	17,812,445	N/A	N/A
Value of commodities distributed	N/A	<u>(14,373,739)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 4,668,752</u>	N/A	N/A

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2020

Contract title: USDA and DHHS Emergency Food Assistance Programs
 Contract agency: Oklahoma Department of Human Services
 Contract numbers: 55210 and 17007716
 Contract dates: 10/1/18 - 9/30/19

	Program Budget	Year Ended June 30, 2020	Prior Years	Cumulative To Date
	<hr/>	<hr/>	<hr/>	<hr/>
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 1,686,265	\$ 1,686,265	\$ -	\$ 1,686,265
Expenses:				
Storage and distribution	1,686,265	1,686,265	-	1,686,265
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commodities:				
Inventory at beginning of period	N/A	\$ 1,265,902	N/A	N/A
Revaluation adjustment	N/A	44,208	N/A	N/A
Value of commodities received	N/A	2,868,309	N/A	N/A
Value of commodities distributed	N/A	<u>(2,948,373)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 1,230,046</u>	N/A	N/A

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: USDA and DHHS Emergency Food Assistance Programs
 Contract agency: Oklahoma Department of Human Services
 Contract numbers: 55210 and 17007716
 Contract dates: 10/1/18 - 9/30/19

	Program Budget	Year Ended June 30, 2019	Prior Years	Cumulative To Date
	<hr/>	<hr/>	<hr/>	<hr/>
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 1,686,265	\$ 1,686,265	\$ -	\$ 1,686,265
Expenses:				
Storage and distribution	1,686,265	1,686,265	-	1,686,265
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commodities:				
Inventory at beginning of period	N/A	\$ 687,969	N/A	N/A
Value of commodities received	N/A	7,731,580	N/A	N/A
Value of commodities distributed	N/A	<u>(7,153,647)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 1,265,902</u>	N/A	N/A

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2020

Contract title: Child and Adult Care Food Program
Contract agency: Oklahoma Department of Education
Agreement number: DC-55-811
Contract dates: 10/1/19 - 9/30/20

	<u>Program Budget</u>	<u>Year Ended June 30, 2020</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ 507,438	\$ 507,438	\$ -	\$ 507,438
Expenses:				
Food and distribution	507,438	507,438	-	507,438
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: Child and Adult Care Food Program
Contract agency: Oklahoma Department of Education
Agreement number: DC-55-811
Contract dates: 10/1/18 - 9/30/19

	<u>Program Budget</u>	<u>Year Ended June 30, 2019</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ 698,076	\$ 698,076	\$ -	\$ 698,076
Expenses:				
Food and distribution	698,076	698,076	-	698,076
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2020

Contract title: Summer Food Service Program
Contract agency: Oklahoma Department of Education
County District Number: 55-X514
Contract dates: 6/1/20 - 7/29/20

	<u>Program Budget</u>	<u>Year Ended June 30, 2020</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ -	\$ 397,810	\$ -	\$ 397,810
Expenses:				
Food and distribution	-	397,810	-	397,810
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: Summer Food Service Program
Contract agency: Oklahoma Department of Education
County District Number: 55-X514
Contract dates: 6/1/19 - 7/29/19

	<u>Program Budget</u>	<u>Year Ended June 30, 2019</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ -	\$ 278,888	\$ -	\$ 278,888
Expenses:				
Food and distribution	-	278,888	-	278,888
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: Summer Food Service Program
 Contract agency: Oklahoma Department of Education
 County District Number: 55-X514
 Contract dates: 6/1/18 - 7/29/18

	Program Budget	Year Ended June 30, 2019	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ -	\$ 244,234	\$ 268,250	\$ 512,484
Expenses:				
Food and distribution	-	244,234	268,250	512,484
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: Oklahoma In Action AmeriCorps Program
Contract agency: Corporation for National and Community Service
Contract dates: 9/1/18 - 8/31/19

	<u>Program Budget</u>	<u>Year Ended June 30, 2019</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ 28,420	\$ 28,240	\$ -	\$ 28,240
Expenses:				
Member living allowances	<u>28,420</u>	<u>28,240</u>	-	28,240
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

SCHEDULE OF STATE AWARDS

Year ended June 30, 2020

State Agency/Program Title	State Expenditures
Oklahoma Department of Human Services: Kids Café	<u>\$ 157,384</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

Year ended June 30, 2020

Contract title: Kids Café
 Contract agency: Oklahoma Department of Human Services
 Bid Number: M053435
 Agency Req. Number: 02023084000
 Contract dates: 7/1/19 - 6/30/20

	Program Budget	Year Ended June 30, 2020	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 157,384	\$ 157,384	\$ -	\$ 157,384
Expenses:				
Food and distribution	157,384	157,384	-	157,384
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

REGIONAL FOOD BANK OF OKLAHOMA, INC.

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES
- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE (continued)**

Year ended June 30, 2019

Contract title: Kids Café
Contract agency: Oklahoma Department of Human Services
Bid Number: M053435
Agency Req. Number: 02023084000
Contract dates: 7/1/18 - 6/30/19

	<u>Program Budget</u>	<u>Year Ended June 30, 2019</u>	<u>Prior Years</u>	<u>Cumulative To Date</u>
Revenues:				
Contract proceeds	\$ 153,000	\$ 153,000	\$ -	\$ 153,000
Expenses:				
Food and distribution	<u>153,000</u>	<u>153,000</u>	<u>-</u>	<u>153,000</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER REPORTS

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Regional Food Bank of Oklahoma, Inc.

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 consolidated financial statements of Regional Food Bank of Oklahoma, Inc., its subsidiary, FoodLink LLC and its affiliate, Regional Food Bank Foundation (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Food Bank'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank's consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
September 28, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Regional Food Bank of Oklahoma, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Regional Food Bank of Oklahoma, Inc., its subsidiary, FoodLink LLC and its affiliate, Regional Food Bank Foundation (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank's major federal programs for the year ended June 30, 2020. Food Bank'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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Food Bank'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 Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank'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.

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.



Oklahoma City, Oklahoma
September 28, 2020

REGIONAL FOOD BANK OF OKLAHOMA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

Section I – Summary of Auditor's Results

Financial statements

Type of Auditor's report issued:	Unmodified		
	Yes	No	None Reported
<hr/>			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?			X
• Noncompliance material to financial statements noted?		X	

Federal awards

	Yes	No	None Reported
<hr/>			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?			X

Type of Auditor's report issued on compliance for major programs:	Unmodified		
	Yes	No	None Reported
<hr/>			
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?		X	

Identification of major programs:

Name of Federal Program or Cluster	
Food Distribution Cluster:	
CFDA 10.569	U.S. Dept. of Agriculture Emergency Food Assistance Program – Commodities
CFDA 10.568	U.S. Dept. of Agriculture Emergency Food Assistance Program – Administrative Costs
CFDA 10.565	U.S. Dept. of Agriculture Emergency Food Assistance Program – Commodity Supplemental Food Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000		
	Yes	No	None Reported
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Auditee qualified as low-risk auditee?	X		
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REGIONAL FOOD BANK OF OKLAHOMA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2020

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

REGIONAL FOOD BANK OF OKLAHOMA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

Finding/Noncompliance		Questioned Costs
Finding:	Item 2018-001 – Eligibility: Agency Approval <i>Federal Agency – U.S. Department of Agriculture</i>	\$ -
Condition:	Food Bank does not maintain formal documentation of their approval of the recipient agencies upon initial acceptance into the program.	
Corrective Action Taken:	Corrective action was taken.	