



**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2016 and 2015**

**WITH**

**INDEPENDENT AUDITOR'S REPORTS**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
FoodLink, Inc. and Subsidiaries  
(dba Regional Food Bank of Oklahoma)

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of FoodLink, Inc. and Subsidiaries (dba Regional Food Bank of Oklahoma, collectively referred to as Food Bank), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, 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.

### **Management's Responsibility for the Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FoodLink, Inc. and its Subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets and their 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 the Food Bank's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2014. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated 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 consolidated 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 consolidated financial statements. The accompanying schedule of state awards and schedules of federal and state awards 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 30, 2016, 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 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.



September 30, 2016

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 7,843,888	\$ 10,117,436
Accounts receivable, less allowance for doubtful accounts	721,405	775,978
Pledges and grants receivable, net	3,690,105	4,295,995
Inventory	5,268,888	6,443,573
Prepaid expenses	246,384	121,073
Investments	7,267,069	7,772,265
Beneficial interests in assets held by community foundations	789,283	822,740
Leased property under capital lease, net of accumulated amortization	394,440	525,920
Property, plant, and equipment, net of accumulated depreciation	18,817,684	16,513,511
Total assets	\$ 45,039,146	\$ 47,388,491
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 565,668	\$ 1,406,693
Accrued expenses	817,860	448,965
Capital lease obligation	333,737	481,360
Total liabilities	1,717,265	2,337,018
Net assets:		
Unrestricted	32,109,011	34,274,743
Temporarily restricted	9,912,971	9,469,436
Permanently restricted	1,299,899	1,307,294
Total net assets	43,321,881	45,051,473
Total liabilities and net assets	\$ 45,039,146	\$ 47,388,491

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2016**  
 (and Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	Comparative Totals for 2015
<b>Revenues, Gains and Other Support</b>					
Value of contributed inventory, including USDA commodities	\$ 62,018,547	\$ -	\$ -	\$ 62,018,547	\$ 63,870,780
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,806,492	-	-	3,806,492	3,686,943
Government contracts	1,455,969	-	-	1,455,969	1,403,625
Government grants	177,000	-	-	177,000	200,570
Contributions:					
Corporate	1,426,412	649,191	-	2,075,603	3,062,914
Grants and foundations	1,123,967	5,325,461	1,000	6,450,428	6,313,885
Individuals	3,408,897	1,048,153	-	4,457,050	6,122,887
Special events	39,350	38,180	-	77,530	10,241
Other	119,904	246,690	-	366,594	509,594
Other income (expense)	29,101	-	-	29,101	(329,333)
Interest income	66,308	114,704	-	181,012	167,869
Net unrealized/realized loss on investments	(65,700)	(227,191)	-	(292,891)	(32,932)
Funds released from restriction	6,760,048	(6,751,653)	(8,395)	-	-
<b>Total revenues, gains and other support</b>	<b>80,366,295</b>	<b>443,535</b>	<b>(7,395)</b>	<b>80,802,435</b>	<b>84,987,043</b>
<b>Expenses</b>					
Program services:					
Value of inventory distributed, including shrinkage and spoilage	62,531,754	-	-	62,531,754	61,826,798
Other program services	16,697,641	-	-	16,697,641	15,445,467
	79,229,395	-	-	79,229,395	77,272,265
Supporting services:					
Management and general	1,050,002	-	-	1,050,002	925,398
Fundraising	2,252,630	-	-	2,252,630	1,863,358
<b>Total expenses</b>	<b>82,532,027</b>	<b>-</b>	<b>-</b>	<b>82,532,027</b>	<b>80,061,021</b>
Changes in net assets	(2,165,732)	443,535	(7,395)	(1,729,592)	4,926,022
Net assets, beginning of year	34,274,743	9,469,436	1,307,294	45,051,473	40,125,451
<b>Net assets, end of year</b>	<b>\$ 32,109,011</b>	<b>\$ 9,912,971</b>	<b>\$ 1,299,899</b>	<b>\$ 43,321,881</b>	<b>\$ 45,051,473</b>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2015**  
 (and Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	Comparative Totals for 2014
<b>Revenues, Gains and Other Support</b>					
Value of contributed inventory, including USDA commodities	\$ 63,870,780	\$ -	\$ -	\$ 63,870,780	\$ 56,193,008
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,686,943	-	-	3,686,943	3,508,048
Government contracts	1,403,625	-	-	1,403,625	1,183,959
Government grants	200,570	-	-	200,570	177,936
Contributions:					
Corporate	2,444,881	618,033	-	3,062,914	4,352,251
Grants and foundations	1,117,405	5,096,380	100,100	6,313,885	4,896,696
Individuals	4,856,402	1,266,485	-	6,122,887	4,866,318
Special events	30,385	(20,144)	-	10,241	41,020
Other	186,344	323,250	-	509,594	594,985
Other income (expense)	(329,333)	-	-	(329,333)	108,698
Interest income	53,115	114,754	-	167,869	112,959
Net unrealized/realized gain (loss) on investments	1,388	(34,320)	-	(32,932)	600,675
Funds released from restriction	9,609,202	(9,598,271)	(10,931)	-	-
<b>Total revenues, gains and other support</b>	<b>87,131,707</b>	<b>(2,233,833)</b>	<b>89,169</b>	<b>84,987,043</b>	<b>76,636,553</b>
<b>Expenses</b>					
Program services:					
Value of inventory distributed, including shrinkage and spoilage	61,826,798	-	-	61,826,798	64,283,229
Other program services	15,445,467	-	-	15,445,467	13,959,183
	77,272,265	-	-	77,272,265	78,242,412
Supporting services:					
Management and general	925,398	-	-	925,398	845,253
Fundraising	1,863,358	-	-	1,863,358	1,848,466
<b>Total expenses</b>	<b>80,061,021</b>	<b>-</b>	<b>-</b>	<b>80,061,021</b>	<b>80,936,131</b>
Changes in net assets	7,070,686	(2,233,833)	89,169	4,926,022	(4,299,578)
Net assets, beginning of year	27,204,057	11,703,269	1,218,125	40,125,451	44,425,029
<b>Net assets, end of year</b>	<b>\$ 34,274,743</b>	<b>\$ 9,469,436</b>	<b>\$ 1,307,294</b>	<b>\$ 45,051,473</b>	<b>\$ 40,125,451</b>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2016**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Value of inventory distributed, including shrinkage and spoilage	\$ 62,531,754	\$ -	\$ -	\$ 62,531,754
Food supplements - purchased inventory utilized	1,956,850	-	-	1,956,850
Kids Café	441,880	-	-	441,880
Urban Harvest	14,067	-	-	14,067
Summer Feeding/Food 4 Kids	2,263,385	-	-	2,263,385
Food 4 Seniors	73,812	-	-	73,812
School Pantry	472,637	-	-	472,637
Care & Share Box/Pantry Box	50,649	-	-	50,649
Vistas	73,426	-	-	73,426
Disaster relief	182	-	-	182
Other programs	393,392	161	-	393,553
Food Resource Centers	1,733,321	-	-	1,733,321
Salaries, wages and related taxes	4,087,327	484,867	1,032,861	5,605,055
Benefits	710,753	210,313	152,939	1,074,005
Freight	1,569,826	-	-	1,569,826
Utilities	191,141	2,278	5,797	199,216
Repairs and maintenance	635,749	11,864	43,941	691,554
Dues	2,419	26,819	6,263	35,501
Special events	7,284	6,814	146,040	160,138
Fuel	191,431	-	-	191,431
Supplies	209,381	-	10,784	220,165
Disposal services	31,379	1,262	-	32,641
Direct mail	-	-	507,562	507,562
Equipment rental	20,458	7,589	-	28,047
Exterminating	27,545	-	-	27,545
Pre-employment physicals	8,601	632	1,112	10,345
Workshops	14,478	12,952	3,244	30,674
Insurance	129,077	25,400	1,707	156,184
Telephone	23,601	2,263	5,902	31,766
Computer	79,538	866	3,652	84,056
Travel	66,601	11,911	13,794	92,306
Office supplies	25,179	11,987	32,006	69,172
Postage	3,095	1,577	20,702	25,374
Professional services	4,014	134,721	130,394	269,129
Bad debts	-	44,897	-	44,897
Depreciation and amortization	1,029,919	31,457	47,166	1,108,542
Security	3,257	531	79	3,867
Bank charges	-	213	53,100	53,313
Rolling stock operating leases	119,614	-	-	119,614
Other	32,373	18,628	33,585	84,586
	<u>\$ 79,229,395</u>	<u>\$ 1,050,002</u>	<u>\$ 2,252,630</u>	<u>\$ 82,532,027</u>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2015**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Value of inventory distributed, including shrinkage and spoilage	\$ 61,826,798	\$ -	\$ -	\$ 61,826,798
Food supplements - purchased inventory utilized	1,928,376	-	-	1,928,376
Kids Café	399,416	-	-	399,416
Urban Harvest	17,221	-	-	17,221
Summer Feeding/Food 4 Kids	2,445,749	-	-	2,445,749
Food 4 Seniors	115,691	-	-	115,691
School Pantry	492,765	-	-	492,765
Care & Share Box/Pantry Box	64,030	-	-	64,030
Vistas	1,314	-	-	1,314
Disaster relief	66,376	-	-	66,376
Other programs	682,867	-	-	682,867
Food Resource Centers	938,568	-	-	938,568
Salaries, wages and related taxes	3,670,963	570,203	822,551	5,063,717
Benefits	576,158	61,796	99,407	737,361
Freight	1,375,628	-	-	1,375,628
Utilities	183,475	1,417	4,317	189,209
Repairs and maintenance	534,847	4,898	31,445	571,190
Dues	1,389	21,929	3,665	26,983
Special events	8,108	1,263	114,828	124,199
Fuel	252,779	55	-	252,834
Supplies	124,173	-	-	124,173
Disposal services	36,805	2,481	-	39,286
Direct mail	-	-	513,801	513,801
Equipment rental	77,015	4,613	3,061	84,689
Taxes	5,882	-	-	5,882
Exterminating	33,333	-	-	33,333
Pre-employment physicals	8,027	602	1,000	9,629
Workshops	8,593	11,431	5,638	25,662
Insurance	123,158	18,802	1,282	143,242
Rent/off-site storage	5,884	-	-	5,884
Telephone	24,790	3,629	5,265	33,684
Computer	78,415	2,250	11,046	91,711
Travel	69,073	12,117	18,959	100,149
Office supplies	26,430	8,554	30,564	65,548
Postage	1,635	2,028	20,077	23,740
Professional services	2,584	102,641	77,113	182,338
Bad debts	57,417	20,484	-	77,901
Depreciation and amortization	878,029	23,030	33,663	934,722
Security	1,588	883	25	2,496
Bank charges	-	3,411	50,104	53,515
Rolling stock operating leases	90,845	-	-	90,845
Other	36,071	46,881	15,547	98,499
	<u>\$ 77,272,265</u>	<u>\$ 925,398</u>	<u>\$ 1,863,358</u>	<u>\$ 80,061,021</u>

See notes to consolidated financial statements.

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2016 and 2015**

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (1,729,592)	\$ 4,926,022
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,108,542	934,722
Provision for doubtful receivables	6,371	11,486
Value of contributed inventory	(62,018,547)	(63,870,780)
Value of inventory distributed, including shrinkage and spoilage	62,531,754	61,826,798
Loss on disposal of property, plant, and equipment	129,788	456,247
Net unrealized/realized loss on investments	292,891	32,932
Contributions received for capital improvements	(1,312,262)	(4,760,066)
Changes in operating assets and liabilities:		
Accounts receivable	54,573	(238,387)
Pledges and grants receivable	599,519	(557,365)
Inventory	661,478	(305,066)
Prepaid expenses	(125,311)	203,811
Accounts payable	(841,025)	103,691
Accrued liabilities	215,218	(51,699)
Net cash used in operating activities	(426,603)	(1,287,654)
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(3,257,346)	(5,168,964)
Net (increase) decrease in restricted cash	-	887,132
Purchases of investments	(9,788,641)	(4,862,088)
Proceeds from sales of investments	10,034,403	3,887,376
Net cash used in investing activities	(3,011,584)	(5,256,544)
<b>Cash Flows from Financing Activities</b>		
Contributions received for capital improvements	1,312,262	4,760,066
Payments on capital lease obligation	(147,623)	(147,298)
Net cash provided by financing activities	1,164,639	4,612,768
Net decrease in cash	(2,273,548)	(1,931,430)
Cash and cash equivalents, beginning of year	10,117,436	12,048,866
Cash and cash equivalents, end of year	\$ 7,843,888	\$ 10,117,436

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

**Note 1 – Nature of Operations**

FoodLink, Inc. (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 Regional Food Bank of Oklahoma, Inc. (RFB). RFB was established in May 1980, and its primary activities include solicitation and receipt of food items of local, regional and national food companies that are distributed to other charitable feeding programs in 53 central and western Oklahoma counties.

**Note 2 – Summary of Significant Accounting Policies**

Consolidated financial statements

The consolidated financial statements include the activities and net assets of FoodLink and its commonly controlled subsidiaries, RFB and the 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 three classes of net assets as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of operations.
- Temporarily restricted net assets represent funds with donor-designated restrictions for the acquisition and maintenance of property, plant, and equipment, capital campaign funds, or specific programs.
- Permanently restricted net assets represent funds that are subject to donor-designated restrictions requiring the principal to be invested in perpetuity and only the income be available for use.

Cash and cash equivalents

Food Bank considers certificates of deposit, money market funds, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2016 and 2015, Food Bank had \$7,919,585 and \$10,090,629 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 restricted support 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as funds released from restrictions.

Food Bank reports gifts of long-lived assets as unrestricted support 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 unrestricted support when received and as program expenses when distributed.

Contract revenues under grants for reimbursement of expenditures are recognized as unrestricted revenues 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 year ended June 30, 2016 and 2015, approximately 42,000 and 34,000 volunteers donated approximately 203,000 and 130,000 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.

## Inventory

Inventory consists of contributed and purchased food items. United States Department of Agriculture (USDA) contributed food items are valued at per pound amounts established by the USDA. Other contributed food items are valued at estimated weighted average wholesale amount per pound as determined by Feeding America. Purchased food items 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, certificates of deposit and money market funds, which are carried at fair value, based upon quoted market prices or dealer quotes. Unrealized gains and losses are reported in the consolidated statement 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 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 statement 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 statement 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 lease

Food Bank leases transportation equipment under a capital lease, which is recorded at the lower of the net present value of the minimum lease payments or the fair value of the transportation equipment at the inception of the lease.

Amortization of the capital lease is 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

No provision for income taxes has been made in the accompanying consolidated financial statements because Food Bank is exempt from federal taxes on income related to its exempt purpose under the provisions of Internal Revenue Code Section 501(c)(3).

### 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, unconditional promises to give 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.

At June 30, 2016, approximately 41% of the pledges receivable balance was from two significant donors. At June 30, 2015, there was no significant concentration of pledges receivable.

#### New accounting pronouncement

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. Food Bank will be evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

#### Subsequent events

Management has evaluated subsequent events through September 30, 2016, the date the consolidated financial statements were available to be issued.

### **Note 3 – Pledges and Grants Receivable**

Pledges and grants receivable are as follows at June 30:

	2016	2015
Pledges and grants receivable expected to be collected in:		
Less than one year	\$ 1,821,676	\$ 1,820,635
One to five years	2,038,416	2,689,898
Total pledges and grants receivable	3,860,092	4,510,533
Less allowance for uncollectible pledges	(61,704)	(68,075)
Less discount to present value	(108,283)	(146,463)
Net pledges and grants receivable	<u>\$ 3,690,105</u>	<u>\$ 4,295,995</u>

Pledges receivable expected to be received in more than one year are discounted at 4.50% for 2016 and 4.25% for 2015. Substantially all pledges and grants receivable are restricted for use in a future period or for a specific program of the Food Bank.

#### Note 4 – Inventory

Inventory is comprised of the following at June 30:

	2016	2015
USDA contributed food	\$ 558,522	\$ 559,476
Purchased food	1,144,303	1,824,682
Other contributed food	3,566,063	4,059,415
	<u>\$ 5,268,888</u>	<u>\$ 6,443,573</u>

#### Note 5 – Property, Plant and Equipment

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

	<u>Useful Life</u>	2016	2015
Land		\$ 432,085	\$ 432,085
Building	39 years	18,865,249	12,713,384
Furniture and fixtures	5-7 years	925,521	767,369
Transportation equipment	3-5 years	1,417,345	1,346,635
Warehouse equipment and improvements	5-7 years	3,498,699	2,824,137
Agency equipment	5-7 years	1,026,203	1,034,553
Computer software	3-5 years	1,043,159	992,690
Construction in process		1,418,472	5,331,016
		28,626,733	25,441,869
Less: accumulated depreciation		<u>9,809,049</u>	<u>8,928,358</u>
Property, plant and equipment, net		<u>\$ 18,817,684</u>	<u>\$ 16,513,511</u>

#### Note 6 – Capital Lease

Food Bank leases transportation equipment under capital leases which expire during July – August 2019. Leased properties under capital leases include rolling stock assets of \$918,788 and accumulated amortization of \$524,348.

The 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, 2016:

<u>Year ending June 30,</u>	
2017	\$ 153,836
2018	153,836
2019	<u>26,065</u>
Total minimum lease payments	<u>\$ 333,737</u>

## **Note 7 – Handling Fees**

Member agencies can be charged up to \$0.19 per pound of food distributed for the years ended June 30, 2016 and 2015, respectively, for their share of Food Bank's operating expenses. Purchased products can carry a handling fee of up to \$0.19 per pound in both 2016 and 2015. The Emergency Food Assistance Program (TEFAP) product did not carry a handling fee. Total agency handling fees were approximately \$754,000 and \$766,000 for years ended June 30, 2016 and 2015, respectively.

## **Note 8 – 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. Contributions for the years ended June 30, 2016 and 2015, were \$117,731 and \$73,000, respectively.

Food Bank participates in a 457(f) retirement plan for the Executive Director. Contributions to this plan are contractually mandated to an established limit, and excess contributions are awarded at the discretion of the Board of Directors. Contributions made to the plan for the years ended June 30, 2016 and 2015, were \$120,000 and \$60,000, respectively. The Executive Director is scheduled to fully vest on January 1, 2017.

## **Note 9 – 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 (TCFO). OCCF and TCFO 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 TFCO 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 TCFO for the years ended June 30, 2016 or 2015. The fair value of endowed funds transferred to OCCF and TCFO at June 30, 2016 and 2015, 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 at June 30, 2016 and 2015, for the benefit of Food Bank that were contributed directly to OCCF by donors, was \$226,545 and \$236,044, respectively. The fair value of endowed funds held by TCFO at June 30, 2016 and 2015, for the benefit of Food Bank that were contributed directly to TCFO by donors, was \$37,446 and \$37,529, respectively. These endowed funds are not reflected in Food Bank's accompanying consolidated statements of financial position.

## **Note 10 – Endowment Funds**

The Board of Directors (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 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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. The Board requests pre-approval, from the donor, for the use of capital appreciation and current yield. However, if at any time the value of the funds fall 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 redesignated this fund from permanent to temporarily restricted.
- Donald W. Reynolds Foundation Restricted Fund. This fund is a temporary 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.
- Childhood Hunger Endowment Fund. This endowment fund is a permanent, donor-restricted fund 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, 2016 and 2015, \$645,746 and \$677,340, respectively, of this fund is held by TCFO (see Note 9).
- Endowment funds held by community foundations (see Note 9).

The Food Bank's endowment net asset composition, by type, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016				
Donor-restricted endowment funds	\$ -	\$ 2,657,388	\$ 1,299,899	\$ 3,957,287
Board-designated endowment funds	1,651,346	-	-	1,651,346
Total endowment	<u>\$ 1,651,346</u>	<u>\$ 2,657,388</u>	<u>\$ 1,299,899</u>	<u>\$ 5,608,633</u>
June 30, 2015				
Donor-restricted endowment funds	\$ -	\$ 3,250,508	\$ 1,307,294	\$ 4,557,802
Board-designated endowment funds	1,846,305	-	-	1,846,305
Total endowment	<u>\$ 1,846,305</u>	<u>\$ 3,250,508</u>	<u>\$ 1,307,294</u>	<u>\$ 6,404,107</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	<u>\$ 1,846,305</u>	<u>\$ 3,250,508</u>	<u>\$ 1,307,294</u>	<u>\$ 6,404,107</u>
Investment loss:				
Investment income	42,206	113,647	-	155,853
Net depreciation (realized and unrealized)	(72,472)	(209,118)	-	(281,590)
Total investment loss	(30,266)	(95,471)	-	(125,737)
Release from restriction	11,388	(2,993)	(8,395)	-
Contributions	120,000	-	1,000	121,000
Appropriations for expenditure	(285,000)	(476,417)	-	(761,417)
Investment fees	(11,081)	(18,239)	-	(29,320)
Endowment net assets, June 30, 2016	<u>\$ 1,651,346</u>	<u>\$ 2,657,388</u>	<u>\$ 1,299,899</u>	<u>\$ 5,608,633</u>
Endowment net assets, June 30, 2014	<u>\$ 1,757,826</u>	<u>\$ 3,172,132</u>	<u>\$ 1,218,125</u>	<u>\$ 6,148,083</u>
Investment return:				
Investment income	37,628	114,754	-	152,382
Net depreciation (realized and unrealized)	(4,045)	(18,707)	-	(22,752)
Total investment return	33,583	96,047	-	129,630
Release from restriction	12,990	(2,059)	(10,931)	-
Contributions	60,000	-	100,100	160,100
Appropriations for expenditure	-	-	-	-
Investment fees	(18,094)	(15,612)	-	(33,706)
Endowment net assets, June 30, 2015	<u>\$ 1,846,305</u>	<u>\$ 3,250,508</u>	<u>\$ 1,307,294</u>	<u>\$ 6,404,107</u>

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, 2016 and 2015.

### **Note 11 – Commitments**

Food Bank has a contract with the Oklahoma Department of Human Services (ODHS) under which it receives and distributes USDA contributed food and receives reimbursement of related storage and distribution costs. The current contract period runs from October 1, 2015 through September 30, 2016. The funds available under this contract are restricted to purposes and activities approved by ODHS during the contract period. Food Bank recognized revenue and support of approximately \$5,100,000 for contributed food and \$568,000 for reimbursement of costs for the year ended June 30, 2016, under this contract.

### **Note 12 – Fair Value Measurements**

The Financial Accounting Standards Board 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, 2016. During the year ended June 30, 2016, 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 and pooled mutual funds are based upon quoted market prices for identical assets and are classified within Level 1.

The fair value of investments in debt securities are valued using quoted prices in active markets for identical assets when available. Where quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics, or discounted cash flows. Inputs used include broker/dealer quotes and other data which are obtained from independent pricing services. These investments are classified within Level 2.

Beneficial interest in assets held by others is measured at fair value using Level 2 inputs. Since OCCF and TCFO 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, 2016:

	Level 1	Level 2	Level 3	Total
Cash, money market funds, and certificates of deposit	\$ 4,178,514	\$ -	\$ -	\$ 4,178,514
Equity securities	1,168	-	-	1,168
Pooled mutual funds	1,017,168	-	-	1,017,168
Exchange traded funds	2,070,219	-	-	2,070,219
Total investments	7,267,069	-	-	7,267,069
Beneficial interest in assets held at OCCF and TCFO	-	789,283	-	789,283
Total assets at fair value	\$ 7,267,069	\$ 789,283	\$ -	\$ 8,056,352

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, 2015:

	Level 1	Level 2	Level 3	Total
Cash, money market funds, and certificates of deposit	\$ 2,691,649	\$ -	\$ -	\$ 2,691,649
Equity securities	1,338,652	-	-	1,338,652
Pooled mutual funds	2,943,316	-	-	2,943,316
Exchange traded funds	798,648	-	-	798,648
Total investments	7,772,265	-	-	7,772,265
Beneficial interest in assets held at OCCF and TCFO	-	822,740	-	822,740
Total assets at fair value	\$ 7,772,265	\$ 822,740	\$ -	\$ 8,595,005

### Note 13 – Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Food resource centers and capital campaign	\$ 2,532,444	\$ 3,000,875
General operating pledges	1,997,399	1,403,859
Childhood hunger programs	145,318	199,619
Restricted fund for programs (A)	1,010,195	1,167,010
Wellness programs	918,621	1,172,647
Disaster relief	564,025	564,715
Equipment replacement and maintenance	1,431,811	1,819,186
Organizational sustainability and improvement	865,080	-
Other	448,078	141,525
	\$ 9,912,971	\$ 9,469,436

(A) This restricted fund includes the Donald W. Reynolds Foundation Restricted Fund (see Note 10).

Permanently restricted net assets include funds held in Food Bank's endowment to support equipment maintenance, operations and childhood hunger programs (see Note 10).

#### **Note 14 – Capital Campaign**

To effectively meet the growing challenge of hunger in Oklahoma and to sustain the excellence and vision of the Regional Food Bank well into the future, the Regional Food Bank has launched the *"Faces of Hope – A Vision for Sustainable Excellence"* capital campaign. This \$20 million campaign includes significant improvements to the Food Bank's Oklahoma City facility and also will develop 40-50 Food Resource Centers throughout its 53-county service area.

#### **Note 15 – Related Party Transactions**

Several members of the Food Bank's Board of Directors have pledge receivables with the Food Bank at June 30, 2016 and 2015. Pledges receivable from these board members were approximately \$580,000 and \$570,000 at June 30, 2016 and 2015, respectively.

**SUPPLEMENTAL INFORMATION**

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2016**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Pass- through to Subrecipients	Federal Expenditures
U.S. Dept. of Agriculture:				
Pass-through Oklahoma Dept. of Human Services:				
U.S. Dept. of Agriculture Donated Foods Program				
Commodities (Note 1)	10.569	55210	\$ 5,130,448	\$ 5,130,448
Reimbursement of storage and distribution cost	10.568	55210	-	340,498
Commodity Supplemental Food Program	10.565	55210	-	142,706
Subtotal of Food Distribution Cluster			5,130,448	5,613,652
Pass-through Oklahoma Dept. of Education:				
Child and Adult Care Food Program	10.558	DC-55-811	-	621,018
Summer Food Service Program	10.559	55265	-	464,745
Total U.S. Department of Agriculture			5,130,448	6,699,415
U.S. Dept. of Health and Human Services:				
Pass-through Oklahoma Dept. of Human Services:				
TANF Support for Commodity Distribution	93.558	8309021710	-	227,500
Corporation for National and Community Service:				
Direct Program:				
AmeriCorps VISTA Program	94.013	15VSWOK001	-	25,000
Pass-through Red River Community Corps, Inc.:				
Oklahoma In Action AmeriCorps Program	94.006		-	40,167
Total Corporation for National and Community Service			-	65,167
Total federal expenditures			<u>\$ 5,130,448</u>	<u>\$ 6,992,082</u>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2016**

**Note 1 – Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Regional Food Bank of Oklahoma (the Food Bank) 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**

The Food Bank 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, 2016, the Food Bank had U.S. Department of Agriculture commodities inventory of \$558,522.

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: USDA Emergency Food Assistance Program  
 Contract agency: Oklahoma Department of Human Services  
 Contract number: 55210  
 Contract dates: 10/1/15 - 9/30/16  
 Type of program: Major

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 710,704	\$ 710,704	\$ -	\$ 710,704
Expenses:				
Storage and distribution	710,704	710,704	-	710,704
Revenue over expenses	\$ -	\$ -	\$ -	\$ -
Commodities:				
Inventory at beginning of period	N/A	\$ 599,253	N/A	N/A
Value of commodities received	N/A	3,969,210	N/A	N/A
Value of commodities distributed	N/A	<u>(4,009,941)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 558,522</u>	N/A	N/A

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: USDA Emergency Food Assistance Program  
 Contract agency: Oklahoma Department of Human Services  
 Contract number: 55210  
 Contract dates: 7/1/15 - 9/30/15  
 Type of program: Major

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 740,536	\$ -	\$ 740,536	\$ 740,536
Expenses:				
Storage and distribution	740,536	-	740,536	740,536
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commodities:				
Inventory at beginning of period	N/A	\$ 559,476	N/A	N/A
Revaluation adjustment	N/A	(51,017)	N/A	N/A
Value of commodities received	N/A	1,161,238	N/A	N/A
Value of commodities distributed	N/A	<u>(1,070,444)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 599,253</u>	N/A	N/A

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2015**

Contract title: USDA Emergency Food Assistance Program  
 Contract agency: Oklahoma Department of Human Services  
 Contract number: 55210  
 Contract dates: 10/1/14 - 9/30/15  
 Type of program: Major

	Program Budget	Year Ended June 30, 2015	Prior Years	Cumulative To Date
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 740,536	\$ 740,536	\$ -	\$ 740,536
Expenses:				
Storage and distribution	740,536	740,536	-	740,536
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commodities:				
Inventory at beginning of period	N/A	\$ 572,751	N/A	N/A
Value of commodities received	N/A	3,433,156	N/A	N/A
Value of commodities distributed	N/A	<u>(3,446,431)</u>	N/A	N/A
Inventory at end of period	N/A	<u>\$ 559,476</u>	N/A	N/A

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Oklahoma In Action AmeriCorps Program  
 Contract agency: Corporation for National and Community Service  
 Contract dates: 9/1/15 - 8/31/16

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 32,667	\$ 32,667	\$ -	\$ 32,667
Expenses:				
Member living allowances	32,667	32,667	-	32,667
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Oklahoma In Action AmeriCorps Program  
 Contract agency: Corporation for National and Community Service  
 Contract dates: 9/1/14 - 8/31/15

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 7,500	\$ 7,500	\$ -	\$ 7,500
Expenses:				
Member living allowances	7,500	7,500	-	7,500
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: AmeriCorps VISTA  
 Contract agency: Corporation for National and Community Service  
 Agreement Number: 15VSWOK001  
 Contract Dates: 4/5/15 - 3/19/16

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Expenses:				
Volunteer support	25,000	25,000	-	25,000
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Child and Adult Care Food Program  
 Contract agency: Oklahoma Department of Education  
 Agreement Number: DC-55-811  
 Contract Dates: 10/1/15 - 9/30/16

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 621,018	\$ 621,018	\$ -	\$ 621,018
Expenses:				
Food and distribution	621,018	621,018	-	621,018
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2015**

Contract title: Child and Adult Care Food Program  
 Contract agency: Oklahoma Department of Education  
 Agreement Number: DC-55-811  
 Contract Dates: 10/1/14 - 9/30/15

	Program Budget	Year Ended June 30, 2015	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 519,416	\$ 519,416	\$ 124	\$ 519,540
Expenses:				
Food and distribution	519,416	519,416	124	519,540
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Summer Food Service Program  
 Contract agency: Oklahoma Department of Education  
 County District Number: 55-X514  
 Contract Dates: 6/1/16 - 7/29/16

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ -	\$ 259,825	\$ -	\$ 259,825
Expenses:				
Food and distribution	-	259,825	-	259,825
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Summer Food Service Program  
 Contract agency: Oklahoma Department of Education  
 County District Number: 55-X514  
 Contract Dates: 6/1/15 - 7/29/15

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ -	\$ 204,920	\$ 298,152	\$ 503,072
Expenses:				
Food and distribution	-	204,920	298,152	503,072
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2015**

Contract title: Summer Food Service Program  
 Contract agency: Oklahoma Department of Education  
 County District Number: 55-X514  
 Contract Dates: 6/1/14 - 7/29/14

	Program Budget	Year Ended June 30, 2015	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ -	\$ 152,103	\$ 183,161	\$ 335,264
Expenses:				
Food and distribution	-	152,103	183,161	335,264
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS**

**Year ended June 30, 2016**

State Agency/Program Title	State Expenditures
Oklahoma Department of Human Services: Kids Café	<u>\$ 153,000</u>

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2016**

Contract title: Kids Café  
 Contract agency: Oklahoma Department of Human Services  
 Bid Number: M053435  
 Agency Req. Number: 02023084000  
 Contract Dates: 7/1/15 - 6/30/16

	Program Budget	Year Ended June 30, 2016	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 153,000	\$ 153,000	\$ -	\$ 153,000
Expenses:				
Food and distribution	153,000	153,000	-	153,000
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

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

**Year ended June 30, 2015**

Contract title: Kids Café  
 Contract agency: Oklahoma Department of Human Services  
 Bid Number: M053435  
 Agency Req. Number: 02023084000  
 Contract Dates: 7/1/14 - 6/30/15

	Program Budget	Year Ended June 30, 2015	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 140,250	\$ 140,250	\$ 35,319	\$ 175,569
Expenses:				
Food and distribution	140,250	140,250	35,319	175,569
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

## **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**

The Board of Directors  
FoodLink, Inc. and Subsidiaries  
(dba Regional Food Bank of Oklahoma)

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 FoodLink, Inc. and Subsidiaries (dba Regional Food Bank of Oklahoma, collectively referred to as Food Bank), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities 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 30, 2016.

**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 cursive script that reads "Hogan Taylor LLP".

September 30, 2016

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

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
FoodLink, Inc. and Subsidiaries  
(dba Regional Food Bank of Oklahoma)

**Report on Compliance for Each Major Federal Program**

We have audited FoodLink, Inc. and Subsidiaries' (dba 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, 2016. 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, 2016.

## **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.

### **Other Matters**

The results of our auditing procedures identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001.

Food Bank's response to the internal control findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Food Bank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



September 30, 2016

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended June 30, 2016**

**Section I – Summary of Auditor's Results**

Financial statements

Type of Auditor's report issued:	Unmodified		
	Yes	No	None Reported
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
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
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X		

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**Year ended June 30, 2016**

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 – Reimbursement of Storage and Distribution 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

<u>Yes</u>	<u>No</u>	<u>None Reported</u>
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Auditee qualified as low-risk auditee?

X

**Section II – Financial Statement Findings**

None

**Section III – Findings and Questioned Costs for Federal Awards**

	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
Finding:	Item 2016-001 – Eligibility: Agency Approval <i>Federal Program</i> – Food Distribution Cluster <i>CFDA Numbers</i> – 10.565, 10.568, 10.569 <i>Agency Award Number</i> – 55210 <i>Federal Award Year</i> – June 30, 2016 <i>Federal Agency</i> – U.S. Department of Agriculture <i>Pass-Through Entity</i> – Oklahoma Dept. of Human Services	\$ -

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**Year ended June 30, 2016**

Criteria:	7 CFR § 247.9 and §251.3 establish the eligibility criteria for agencies participating in the food distribution program.
Condition:	The Food Bank does not currently formally document the approval of the recipient agencies upon initial acceptance into the program. Additionally, there are not adequate IT controls to limit user access to enter agencies into the software.
Cause:	Approval of recipient agencies is not being documented, and user access is not restricted for entering new agencies.
Effect:	Without adequate controls, the Food Bank could distribute commodities to non-eligible recipient agencies.
Context:	Not applicable.
Recommendation:	The Food Bank should institute a procedure to document the approval of recipient agencies, and determine if IT controls can be implemented to limit the access of agency input to only authorized employees.
View of responsible officials:	<p>A process will be put in place for the agency addition/modification/deletion process. All new agencies and the reactivation of existing agencies will have the documented approval of the VP of Community Initiatives. Security on the Navision system will be set so that personnel working directly with agencies (Agency Relations) will not have the capability of adding, deleting or changing agency information. An employee not affiliated with the agency distribution process will perform all additions and modifications. The documented approval will become part of the agency file.</p> <p>The above action plan will be implemented by the VP of Community Initiatives and is expected to be completed no later than December 31, 2016.</p>

**FOODLINK, INC. AND SUBSIDIARIES  
(dba REGIONAL FOOD BANK OF OKLAHOMA)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year ended June 30, 2016**

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

<b>Program</b>	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
CFDA 10.569 U.S. Dept. of Agriculture (USDA) Emergency Food Assistance Program: Commodities	Item 2015-001: Special Tests and Provisions	\$ -
Audit Finding:	Subsequent to a software upgrade in 2013, the value of USDA commodity items that required a new item number was not reported correctly in the system reports used by Food Bank to account for program expenditures. Consequently, the distributions for those items were not reported correctly on the monthly reports to the Oklahoma Department of Human Services. Due to inaccurate inventory system reports, the Food Bank underreported USDA expenditures of approximately \$745,000.	
Corrective Action Taken:	Corrective action was taken.	

**EXHIBIT**



*"Fighting Hunger... Feeding Hope"™*

September 29, 2016

Regional Food Bank of Oklahoma  
Corrective Action Plan  
Year ended June 30, 2016

Identifying Number: 2016-001 – Eligibility: Agency Approval

**Finding:** The Food Bank does not currently formally document the approval of the recipient agencies upon initial acceptances into the program. Additionally, there are not adequate IT controls to limit user access to enter agencies into the software.

**Corrective Actions Planned:** The Food Bank will reinstitute a process for the documentation of agency addition/modification/deletions. A control imbedded in the new process will be the documented approval of the VP of Community Initiatives for all new agencies and the reactivation of existing agencies. Also, security on the Navision software system will be set so that personnel working directly with agencies (Agency Relations) will not have the capability of adding, deleting or changing key agency information. An employee not affiliated with the agency distribution process will perform all key additions and modifications. The documented approval will become part of the agency file. This corrective action will be the responsibility of the VP of Community Initiatives, Cari Ogden and will be implemented on or before December 31, 2016.

A handwritten signature in black ink, appearing to read "Deborah R. Bunting".

Deborah R. Bunting  
VP, Finance and Administration