



REGIONAL FOOD BANK OF OKLAHOMA, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORTS

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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, 2021 and 2020, 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, 2021 and 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2019, 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. 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 October 28, 2021, 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
October 28, 2021

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 13,554,977	\$ 10,413,019
Accounts receivable, less allowance for doubtful accounts	1,083,552	755,633
Pledges and grants receivable, net	1,976,484	3,114,904
Inventory	8,482,082	9,781,093
Prepaid expenses	397,853	365,160
Investments	38,073,495	8,296,320
Beneficial interests in assets held by community foundations	988,291	841,711
Leased property under capital leases, net of accumulated amortization	1,959,722	1,861,120
Property, plant and equipment, net of accumulated depreciation	15,643,900	14,472,437
Total assets	\$ 82,160,356	\$ 49,901,397
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 666,547	\$ 749,569
Accrued expenses	684,115	850,585
Capital lease obligations	1,761,809	1,894,992
Notes payable	14,207	1,166,225
Total liabilities	3,126,678	4,661,371
Net assets:		
Without donor restrictions:		
Undesignated	42,033,059	11,160,336
Board designated	9,643,134	7,051,787
Invested in fixed assets, net of related debt	15,841,813	14,438,565
Total net assets without donor restrictions	67,518,006	32,650,688
With donor restrictions	11,515,672	12,589,338
Total net assets	79,033,678	45,240,026
Total liabilities and net assets	\$ 82,160,356	\$ 49,901,397

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended June 30, 2021
(and Comparative Totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Comparative Totals for 2020
Revenues, Gains and Other Support				
Value of contributed inventory, including USDA commodities	\$ 80,071,744	\$ 287,593	\$ 80,359,337	\$ 71,966,451
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,689,721	-	3,689,721	3,403,712
Government contracts and grants	6,922,037	-	6,922,037	2,805,946
Contributions:				
Corporate	1,631,051	1,063,896	2,694,947	3,209,950
Grants and foundations	26,386,074	620,372	27,006,446	3,155,456
Individuals	5,797,929	2,053,641	7,851,570	8,922,060
Special events	7,735	-	7,735	-
Other	1,002,577	1,585,228	2,587,805	1,809,421
Forgiveness of PPP note payable	1,143,900	-	1,143,900	-
Other income	211,674	-	211,674	262,711
Interest income	382,234	46,290	428,524	249,080
Net unrealized/realized gain (loss) on investments	2,040,879	446,557	2,487,436	(25,541)
Net assets released from restriction	7,177,243	(7,177,243)	-	-
Total revenues, gains and other support	136,464,798	(1,073,666)	135,391,132	95,759,246
Expenses				
Program services:				
Value of inventory distributed, including shrinkage and spoilage	81,066,487	-	81,066,487	71,371,657
Other program services	16,783,263	-	16,783,263	15,609,808
	97,849,750	-	97,849,750	86,981,465
Supporting services:				
Management and general	1,977,986	-	1,977,986	1,522,185
Fundraising	1,769,744	-	1,769,744	2,118,221
Total expenses	101,597,480	-	101,597,480	90,621,871
Change in net assets	34,867,318	(1,073,666)	33,793,652	5,137,375
Net assets, beginning of year	32,650,688	12,589,338	45,240,026	40,102,651
Net assets, end of year	\$ 67,518,006	\$ 11,515,672	\$ 79,033,678	\$ 45,240,026

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

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services							Supporting Services			
	Disaster Relief	General Operations	Childhood Hunger	Senior Feeding	Moore FRC	Packed Promise	Assembly, Warehousing, and Distribution	Total Program Services	Management and General	Fundraising	Total
Value of inventory distributed, including shrinkage and spoilage	\$ -	\$ 81,066,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,066,487	\$ -	\$ -	\$ 81,066,487
Food supplements - purchased inventory utilized	-	450,459	-	-	-	-	-	450,459	-	-	450,459
Personnel expenses	936,825	1,764,113	438,386	68,445	328,629	72,594	2,206,398	5,815,390	1,627,026	854,739	8,297,155
Equipment rental and maintenance	3,161	282,726	38,405	-	1,793	-	119,201	445,286	29,648	82,582	557,516
Occupancy	85,518	203,944	4,803	1,470	57,879	151	326,088	679,853	46,983	20,670	747,506
Program costs	1,364,602	211,888	2,772,534	128,942	52,391	937,757	52,970	5,521,084	-	1,182	5,522,266
Agency support	179,872	855,668	-	-	-	-	-	1,035,540	-	-	1,035,540
Transportation	203,394	272,200	232,721	109,156	11,576	37,948	-	866,995	-	-	866,995
Professional services	14,705	7,331	-	-	-	-	2,517	24,553	154,291	463,622	642,466
Special events	-	15,891	-	-	-	-	-	15,891	2,525	42,249	60,665
Supplies	7,261	74,052	49	69	6,685	-	170,607	258,723	8,829	58,328	325,880
Travel	7,486	5,767	612	-	606	-	15,010	29,481	7,175	3,662	40,318
Depreciation and amortization	-	702,040	242	-	21,442	-	661,761	1,385,485	26,936	11,260	1,423,681
Other	-	63,299	1,803	41	2,142	240	186,998	254,523	74,573	231,450	560,546
	<u>\$ 2,802,824</u>	<u>\$ 85,975,865</u>	<u>\$ 3,489,555</u>	<u>\$ 308,123</u>	<u>\$ 483,143</u>	<u>\$ 1,048,690</u>	<u>\$ 3,741,550</u>	<u>\$ 97,849,750</u>	<u>\$ 1,977,986</u>	<u>\$ 1,769,744</u>	<u>\$ 101,597,480</u>

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services							Total Program Services	Supporting Services		
	Disaster Relief	General Operations	Childhood Hunger	Senior Feeding	Moore FRC	Packed Promise	Assembly, Warehousing, and Distribution		Management and General	Fundraising	Total
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 STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 33,793,652	\$ 5,137,375
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,423,681	1,399,192
Value of contributed inventory	(80,359,337)	(71,966,451)
Value of inventory distributed, including shrinkage and spoilage	81,066,487	71,371,657
Provision for doubtful receivables	15,228	154,306
Contributions for long-term purposes	(25,500)	(1,000)
Gain on disposal of property, plant and equipment	(12,756)	-
Net unrealized/realized (gain) loss on investments	(2,487,436)	25,541
Forgiveness of PPP note payable	(1,143,900)	-
Changes in operating assets and liabilities:		
Accounts receivable	(327,919)	555,399
Pledges and grants receivable	1,123,192	(166,781)
Inventory	591,861	(1,400,875)
Prepaid expenses	(32,693)	(88,598)
Accounts payable	(83,022)	186,733
Accrued expenses	(166,470)	500,964
Net cash provided by operating activities	33,375,068	5,707,462
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(2,219,157)	(400,991)
Proceeds from sales of property, plant and equipment	30,057	-
Purchases of investments	(30,824,683)	(6,605,004)
Proceeds from sales of investments	3,388,364	6,388,019
Net cash used in investing activities	(29,625,419)	(617,976)
Cash Flows from Financing Activities		
Contributions for endowment	25,500	1,000
Contributions for capital improvements	-	155,000
Proceeds from notes payable	-	1,166,225
Payments on notes payable	(8,118)	-
Payments on capital lease obligations	(625,073)	(264,336)
Net cash provided by (used in) financing activities	(607,691)	1,057,889
Net increase in cash	3,141,958	6,147,375
Cash and cash equivalents, beginning of year	10,413,019	4,265,644
Cash and cash equivalents, end of year	\$ 13,554,977	\$ 10,413,019
Supplemental Cash Flow Information		
Equipment acquired through capital lease obligations	\$ 367,184	\$ 800,149

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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. FoodLink holds real property used in RFB programs and operations. The Foundation, whose Board of Directors is elected by the RFB Board of Directors, holds investments and operating reserves for RFB.

COVID-19

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, including 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.

In response to the pandemic, Federal relief efforts were created to help address the economic and social impact of the pandemic, including funding through the Coronavirus Aid, Relief and Security Act (CARES Act) and Families First Coronavirus Response Act (FFCRA). During the year ended June 30, 2021, Food Bank received commodities valued at approximately \$3,554,000 and grant funding of approximately \$3,526,000 under CARES Act and FFCRA programs administered through both Federal and State of Oklahoma agencies, both of which were utilized in the Food Bank's program operations. Additionally, during the year ended June 30, 2020, the Food Bank also obtained a loan under U.S. Small Business Administration's Payroll Protection Program (PPP) to fund salaries for its employees. Under the terms of the PPP program, this loan was fully forgiven in December 2020 (see Note 7).

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. Money market accounts designated by the Board of Directors as operating revenues are classified as investments.

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, 2021 and 2020, approximately 1,100 and 30,600 unduplicated volunteers contributed approximately 57,800 and 81,500 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 earns delivery fee revenue from customers for over-the-road (OTR) trucking services. 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 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, 2021, contributed food and other products from other sources were valued using the Feeding America report dated June 30, 2020, related to the year ended December 31, 2019. For the year ended June 30, 2020, contributed food and other products from other sources were valued using the Feeding America report dated June 25, 2019, related to the year ended December 31, 2018.
- 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 money market funds, equity securities, pooled mutual funds and exchange traded 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 37% of the pledges receivable balance were from two donors at June 30, 2021. At June 30, 2020, approximately 34% of the pledges receivable balance were from two donors.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. These reclassifications had no impact on the previously reported change in net assets.

Accounting pronouncements not yet adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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, 2021, 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 consolidated financial statements.

The FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of

contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including uses, policies, restrictions, valuation details, and market information. ASU No. 2020-07 is effective for the fiscal year ending June 30, 2022. The Food Bank is currently evaluating the impact this standard will have on its consolidated financial statements.

Subsequent events

Management has evaluated subsequent events through October 28, 2021, 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:

	2021	2020
Cash and cash equivalents	\$ 6,774,408	\$ 4,625,530
Accounts receivable	1,083,552	755,633
Pledges receivable	1,019,295	1,400,036
Investments	26,942,594	-
Invested operating reserves	6,939,495	4,774,271
	<u>\$ 42,759,344</u>	<u>\$ 11,555,470</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, board-designated operating reserves held in money market accounts, and pledge payments due in the coming year. Endowment investments, which are not available for general expenditures, are excluded.

Note 4 – Pledges and Grants Receivable

Pledges and grants receivable are as follows at June 30:

	2021	2020
Less than one year	\$ 1,019,295	\$ 1,400,036
One to five years	1,050,431	1,927,468
Total pledges and grants receivable	2,069,726	3,327,504
Less allowance for uncollectible pledges	(27,801)	(45,756)
Less discount to present value	(65,441)	(166,844)
Net pledges and grants receivable	<u>\$ 1,976,484</u>	<u>\$ 3,114,904</u>

Pledges receivable expected to be received in more than one year are discounted at 4.25% for 2021 and 2020. 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:

	2021	2020
USDA contributed food	\$ 1,613,366	\$ 4,668,752
Purchased food	1,796,826	2,388,688
Other contributed food	5,071,890	2,723,653
	<u>\$ 8,482,082</u>	<u>\$ 9,781,093</u>

Note 6 – Property, Plant and Equipment

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

	Useful Life	2021	2020
Land		\$ 364,655	\$ 364,655
Building	39 years	19,598,982	19,229,284
Furniture and fixtures	5 - 7 years	890,243	890,243
Transportation equipment	3 - 5 years	2,099,287	1,229,325
Warehouse equipment and improvements	5 - 7 years	4,022,326	3,526,276
Agency equipment	5 - 7 years	967,161	967,161
Computer software	3 - 5 years	1,135,131	1,135,131
Construction in process		495,570	127,985
		29,573,355	27,470,060
Less: accumulated depreciation		(13,929,455)	(12,997,623)
Property, plant and equipment, net		<u>\$ 15,643,900</u>	<u>\$ 14,472,437</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 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 were 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 was eligible to be forgiven by the SBA as long as the employee retention criteria were met, and the funds were used for eligible expenses. Full forgiveness of the note, including all accrued interest, was granted by the SBA effective December 30, 2020.

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 2021, 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, 2021 and 2020, were \$2,788,763 and \$2,228,592, with accumulated amortization of \$829,041 and \$367,472, 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, 2021:

<u>Year ending June 30,</u>	
2022	\$ 478,466
2023	387,883
2024	375,399
2025	353,979
2026	266,607
Thereafter	<u>24,963</u>
	1,887,297
Less imputed interest	<u>(125,488)</u>
Present value of net minimum lease payments	<u><u>\$ 1,761,809</u></u>

Note 9 – Handling Fees

Member agencies paid up to \$0.19 per pound of food distributed for the years ended June 30, 2021 and 2020, 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 2021 and 2020. The Emergency Food Assistance Program (TEFAP) product did not carry a handling fee. Total agency handling fees were approximately \$713,000 and \$834,000 for years ended June 30, 2021 and 2020, respectively. In response to the COVID-19 pandemic, all handling fees were suspended during the month of July 2020.

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, 2021 and 2020, were \$163,000 and \$143,000, 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, 2021 or 2020. The fair value of endowed funds transferred by Food Bank to OCCF and CFO at June 30, 2021 and 2020, 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 \$294,739 and \$241,258 at June 30, 2021 and 2020, respectively. The fair value of endowed funds held by CFO at June 30, 2021 and 2020, for the benefit of Food Bank that were contributed directly to CFO by donors, was \$53,290 and \$42,390, 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, this fund is classified as a board-designated endowment.

- 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 is classified as a board-designated endowment.
- 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, 2021 and 2020, \$817,488 and \$674,866, respectively, of this fund is held by CFO (see Note 11).
- Endowment funds held by community foundations (see Note 11).

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, 2021 or 2020.

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

	2021	2020
Donor restricted endowment funds	\$ 2,448,480	\$ 2,053,788
Board designated endowment funds	2,703,639	2,277,516
Total endowment	<u>\$ 5,152,119</u>	<u>\$ 4,331,304</u>

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

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		Time/ Purpose	Perpetual	Total
Endowment net assets, June 30, 2020	\$ 2,277,516	\$ 543,022	\$ 1,510,766	\$ 4,331,304
Investment gain (loss):				
Investment income	57,757	46,290	-	104,047
Net appreciation (realized and unrealized)	378,440	455,037	-	833,477
Investment fees	(15)	(8,481)	-	(8,496)
Net investment gain	436,182	492,846	-	929,028
Contributions	-	-	25,500	25,500
Appropriations for expenditure	(10,059)	(123,654)	-	(133,713)
Endowment net assets, June 30, 2021	<u>\$ 2,703,639</u>	<u>\$ 912,214</u>	<u>\$ 1,536,266</u>	<u>\$ 5,152,119</u>

	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

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, 2020 through September 30, 2021, and Food Bank anticipates that its ODHS contract will be renewed for the period ending September 30, 2022.

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, 2021 and 2020, under this contract Food Bank recognized revenue and support of approximately \$26,500,000 and \$20,700,000 for contributed food and \$1,700,000 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, 2021 or 2020. During the years ended June 30, 2021 and 2020, 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, equity securities, pooled mutual funds and exchange traded 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, 2021:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 7,344,711	\$ -	\$ -	\$ 7,344,711
Equity securities	34,500	-	-	34,500
Pooled mutual funds	14,481,705	-	-	14,481,705
Exchange traded funds	16,212,579	-	-	16,212,579
Total investments	38,073,495	-	-	38,073,495
Beneficial interest in assets held at OCCF and CFO	-	-	988,291	988,291
Total assets at fair value	<u>\$ 38,073,495</u>	<u>\$ -</u>	<u>\$ 988,291</u>	<u>\$ 39,061,786</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, 2020:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 4,953,155	\$ -	\$ -	\$ 4,953,155
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	8,296,320	-	-	8,296,320
Beneficial interest in assets held at OCCF and CFO	-	-	841,711	841,711
Total assets at fair value	<u>\$ 8,296,320</u>	<u>\$ -</u>	<u>\$ 841,711</u>	<u>\$ 9,138,031</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	
	2021	2020
Balance at July 1	\$ 841,711	\$ 837,626
Net investment performance	180,234	46,120
Distributions to Food Bank	(33,654)	(42,035)
Balance at June 30	<u>\$ 988,291</u>	<u>\$ 841,711</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:

	2021	2020
Subject to expenditure for specified purpose:		
Food resource centers and capital campaign	\$ 19,783	\$ 19,783
General operating	1,251,267	2,044,982
Childhood hunger programs	344,697	277,681
Shorten the Line Initiatives	557,567	802,926
Disaster relief	4,417,090	5,506,441
Grants	1,684,558	1,454,207
Other	1,704,444	972,552
	<u>9,979,406</u>	<u>11,078,572</u>
Not available for appropriation or expenditure:		
Endowments held in perpetuity	<u>1,536,266</u>	<u>1,510,766</u>
	<u>\$ 11,515,672</u>	<u>\$ 12,589,338</u>

Net assets held in perpetuity of \$1,536,266 and \$1,510,766 at June 30, 2021 and 2020, 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 \$383,000 and \$673,000 at June 30, 2021 and 2020, respectively, from members of Food Bank's Board of Directors.

SUPPLEMENTAL INFORMATION

REGIONAL FOOD BANK OF OKLAHOMA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

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	\$ 23,013,643	\$ 23,013,643
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	3,533,987	3,533,987
Emergency Food Assistance Program (Administrative Costs)	10.568	55210	-	1,480,393
Commodity Supplemental Food Program	10.565	55210	-	257,430
Subtotal of Food Distribution Cluster			26,547,630	28,285,453
Pass-through Oklahoma Dept. of Education:				
Child and Adult Care Food Program	10.558	DC-55-811	-	161,360
Summer Food Service Program	10.559	55-X514	-	1,355,448
Total U.S. Department of Agriculture			26,547,630	29,802,261
U.S. Dept. of Health and Human Services:				
Pass-through Oklahoma Dept. of Human Services:				
TANF Support for Commodity Distribution	93.558	17007716	-	191,861
U.S. Dept. of Housing and Urban Development:				
Pass-through City of Moore, Oklahoma				
COVID-19 - Emergency Food Assistance Program for Moore Citizens	14.218		-	50,295
U.S. Dept. of the Treasury:				
Pass-through Oklahoma Department of Emergency Management:				
COVID-19 - Governor's CARES Act Food Bank Replenishment	21.019		-	3,525,794
Total federal expenditures			\$ 26,547,630	\$ 33,570,211

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

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, 2021, RFB had U.S. Department of Agriculture commodities inventory of \$1,613,366.

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, 2021, 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 October 28, 2021.

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
October 28, 2021

**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, 2021. 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, 2021.

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
October 28, 2021

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

Year ended June 30, 2021

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	

Identification of major programs:

Name of Federal Program or Cluster	
<u>U.S. Dept. of Agriculture:</u> CFDA 10.569 CFDA 10.568 CFDA 10.565 CFDA 10.559	<u>Food Distribution Cluster:</u> Emergency Food Assistance Program – Commodities Emergency Food Assistance Program – Administrative Costs Emergency Food Assistance Program – Commodity Supplemental Food Program Summer Food Service Program
<u>U.S. Dept. of Treasury:</u> CFDA 21.019	COVID-19 – CARES Act Food Bank Replenishment

Dollar threshold used to distinguish between type A and type B programs:

	\$1,007,106		
	Yes	No	None Reported
Auditee qualified as low-risk auditee?	X		

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

Year ended June 30, 2021

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, 2021

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None