



REGIONAL FOOD BANK OF OKLAHOMA, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORTS

CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9
Supplemental Information:	
Schedule of Expenditures of Federal Awards.....	21
Notes to Schedule of Expenditures of Federal Awards.....	22
Other Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	25
Schedule of Findings and Questioned Costs.....	28
Summary Schedule of Prior Audit Findings.....	30
Exhibit – Corrective Action Plan	

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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 statements of financial position as of June 30, 2022 and 2021, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Food Bank's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2020. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audits were 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of the 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 the 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 the Food Bank's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
September 26, 2022

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 8,012,998	\$ 13,554,977
Accounts receivable, less allowance for doubtful accounts	1,524,411	1,083,552
Pledges and grants receivable, net	1,154,083	1,976,484
Inventory	7,073,481	8,482,082
Prepaid expenses	424,397	397,853
Investments	38,571,016	38,073,495
Beneficial interests in assets held by community foundations	881,382	988,291
Leased property under capital leases, net of accumulated amortization	1,345,560	1,959,722
Property, plant and equipment, net of accumulated depreciation	15,800,942	15,643,900
Total assets	\$ 74,788,270	\$ 82,160,356
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 522,744	\$ 666,547
Accrued expenses	408,484	684,115
Capital lease obligations	1,410,552	1,761,809
Notes payable	6,089	14,207
Total liabilities	2,347,869	3,126,678
Net assets:		
Without donor restrictions:		
Undesignated	32,983,527	42,033,059
Board designated	13,265,090	9,643,134
Invested in fixed assets, net of related debt	15,735,950	15,841,813
Total net assets without donor restrictions	61,984,567	67,518,006
With donor restrictions	10,455,834	11,515,672
Total net assets	72,440,401	79,033,678
Total liabilities and net assets	\$ 74,788,270	\$ 82,160,356

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended June 30, 2022
(and Comparative Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Comparative Totals for 2021
Revenues, Gains and Other Support				
Value of contributed inventory, including USDA commodities	\$ 65,591,075	\$ 799,837	\$ 66,390,912	\$ 80,359,337
Handling fees and reimbursements for purchased products and related storage and distribution costs	3,415,181	-	3,415,181	3,689,721
Government contracts and grants	3,574,383	-	3,574,383	6,922,037
Contributions:				
Corporate	1,833,569	801,418	2,634,987	2,694,947
Grants and foundations	1,359,723	309,069	1,668,792	27,006,446
Individuals	5,187,209	1,069,764	6,256,973	7,851,570
Special events	-	-	-	7,735
Other	638,925	980,663	1,619,588	2,587,805
Forgiveness of Paycheck Protection Program note payable	-	-	-	1,143,900
Other income	122,206	-	122,206	211,674
Interest income	859,317	50,048	909,365	428,524
Net unrealized/realized gain (loss) on investments	(4,009,412)	(237,128)	(4,246,540)	2,487,436
Net assets released from restriction	4,833,509	(4,833,509)	-	-
Total revenues, gains and other support	83,405,685	(1,059,838)	82,345,847	135,391,132
Expenses				
Program services:				
Value of inventory distributed, including shrinkage and spoilage	67,858,973	-	67,858,973	81,066,487
Other program services	17,268,313	-	17,268,313	16,783,263
	85,127,286	-	85,127,286	97,849,750
Supporting services:				
Management and general	1,880,639	-	1,880,639	1,977,986
Fundraising	1,931,199	-	1,931,199	1,769,744
Total expenses	88,939,124	-	88,939,124	101,597,480
Change in net assets	(5,533,439)	(1,059,838)	(6,593,277)	33,793,652
Net assets, beginning of year	67,518,006	11,515,672	79,033,678	45,240,026
Net assets, end of year	\$ 61,984,567	\$ 10,455,834	\$ 72,440,401	\$ 79,033,678

See notes to consolidated financial statements.

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 Paycheck Protection Program 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 FUNCTIONAL EXPENSES

Year ended June 30, 2022

	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	\$ -	\$ 67,858,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,858,973	\$ -	\$ -	\$ 67,858,973
Food supplements - purchased inventory utilized	-	615,919	-	-	-	-	-	615,919	-	-	615,919
Personnel	524,887	2,165,002	344,776	165,903	394,610	86,417	2,914,047	6,595,642	1,387,605	987,352	8,970,599
Equipment rental and maintenance	150	287,233	24,966	60	1,351	-	119,941	433,701	42,421	119,899	596,021
Occupancy	27	207,931	2,795	1,286	56,097	206	441,769	710,111	69,302	11,041	790,454
Food distribution costs	251,470	166,469	3,288,511	337,376	25,923	975,193	-	5,044,942	-	-	5,044,942
Agency support	-	351,238	54,122	63,594	200	-	-	469,154	-	-	469,154
Transportation	27,366	902,366	149,778	93,849	49,627	40,620	147,210	1,410,816	-	86	1,410,902
Professional services	-	208,664	-	-	-	-	7,595	216,259	245,172	390,154	851,585
Special events	-	586	-	-	37	-	18	641	482	89,848	90,971
Supplies	49	88,420	1,576	3,776	6,240	-	77,225	177,286	18,415	57,712	253,413
Travel	-	11,033	2,432	255	1,491	-	19,135	34,346	11,426	9,350	55,122
Depreciation and amortization	-	726,083	202	-	16,573	-	728,421	1,471,279	6,357	-	1,477,636
Other	1,069	25,024	222	48	2,697	672	58,485	88,217	99,459	265,757	453,433
	<u>\$ 805,018</u>	<u>\$ 73,614,941</u>	<u>\$ 3,869,380</u>	<u>\$ 666,147</u>	<u>\$ 554,846</u>	<u>\$ 1,103,108</u>	<u>\$ 4,513,846</u>	<u>\$ 85,127,286</u>	<u>\$ 1,880,639</u>	<u>\$ 1,931,199</u>	<u>\$ 88,939,124</u>

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services							Supporting Services			Total
	Disaster Relief	General Operations	Childhood Hunger	Senior Feeding	Moore FRC	Packed Promise	Assembly, Warehousing, and Distribution	Total Program Services	Management and General	Fundraising	
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	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	3,006	273,586	23,540	-	1,793	-	119,201	421,126	29,648	82,582	533,356
Occupancy	84,956	197,802	2,940	1,470	57,879	151	326,088	671,286	46,983	20,670	738,939
Food distribution costs	1,381,519	211,888	2,712,811	89,653	50,022	937,757	52,970	5,436,620	-	1,182	5,437,802
Agency support	194,359	855,668	55,990	33,854	2,369	-	-	1,142,240	-	-	1,142,240
Transportation	166,045	267,592	245,853	109,156	11,576	37,948	-	838,170	-	-	838,170
Professional services	14,705	7,090	-	-	-	-	2,517	24,312	154,291	463,622	642,225
Special events	-	15,891	-	-	-	-	-	15,891	2,525	42,249	60,665
Supplies	7,351	94,374	8,291	4,693	6,685	-	170,607	292,001	8,829	58,328	359,158
Travel	7,486	5,577	375	-	606	-	15,010	29,054	7,175	3,662	39,891
Depreciation and amortization	-	702,040	242	-	21,442	-	661,761	1,385,485	26,936	11,260	1,423,681
Other	6,572	63,299	1,126	852	2,142	240	186,998	261,229	74,573	231,450	567,252
	<u>\$ 2,802,824</u>	<u>\$ 85,975,866</u>	<u>\$ 3,489,554</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 STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (6,593,277)	\$ 33,793,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,477,636	1,423,681
Value of contributed inventory	(66,390,912)	(80,359,337)
Value of inventory distributed, including shrinkage and spoilage	67,858,973	81,066,487
Provision for doubtful receivables	(5,144)	15,228
Contributions for long-term purposes	(1,000)	(25,500)
Gain on disposal of property, plant and equipment	(566)	(12,756)
Net unrealized/realized (gain) loss on investments	4,246,540	(2,487,436)
Forgiveness of Paycheck Protection Program note payable	-	(1,143,900)
Changes in operating assets and liabilities:		
Accounts receivable	(440,859)	(327,919)
Pledges and grants receivable	827,545	1,123,192
Inventory	(59,460)	591,861
Prepaid expenses	(26,544)	(32,693)
Accounts payable	(143,803)	(83,022)
Accrued expenses	(275,631)	(166,470)
	473,498	33,375,068
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(957,780)	(2,219,157)
Proceeds from sales of property, plant and equipment	1,396	30,057
Purchases of investments	(26,315,697)	(30,824,683)
Proceeds from sales of investments	21,678,545	3,388,364
	(5,593,536)	(29,625,419)
Cash Flows from Financing Activities		
Contributions for endowment	1,000	25,500
Payments on notes payable	(8,118)	(8,118)
Payments on capital lease obligations	(414,823)	(625,073)
	(421,941)	(607,691)
Net increase (decrease) in cash and cash equivalents	(5,541,979)	3,141,958
Cash and cash equivalents, beginning of year	13,554,977	10,413,019
	\$ 8,012,998	\$ 13,554,977
Supplemental Cash Flow Information		
Equipment acquired through capital lease obligations	\$ 63,566	\$ 367,184

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

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 reserves 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 once the Food Bank overcomes the barriers that entitle it to receive the promised contributions.

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, 2022 and 2021, approximately 18,700 and 1,100 unduplicated volunteers contributed approximately 73,300 and 57,800 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, 2022, contributed food and other products from other sources were valued using the Feeding America report dated June 30, 2021, related to the year ended December 31, 2020. 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.

- 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.

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 45% of the pledges receivable balance were from two donors at June 30, 2022. At June 30, 2021, approximately 37% of the pledges receivable balance were from two donors.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications had no impact on the previously reported change in net assets.

New accounting pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 was adopted for the fiscal year ending June 30, 2022.

Accounting pronouncement not yet adopted

In February 2016, the FASB issued 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.

Subsequent events

Management has evaluated subsequent events through September 26, 2022, 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:

	2022	2021
Cash and cash equivalents	\$ 1,382,130	\$ 6,774,408
Accounts receivable	1,524,411	1,083,552
Pledges receivable	472,418	1,019,295
Investments	23,941,129	26,942,594
Invested operating reserves	8,900,058	6,939,495
	<u>\$ 36,220,146</u>	<u>\$ 42,759,344</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:

	2022	2021
Less than one year	\$ 472,418	\$ 1,019,295
One to five years	759,328	1,050,431
Total pledges and grants receivable	1,231,746	2,069,726
Less allowance for uncollectible pledges	(18,639)	(27,801)
Less discount to present value	(59,024)	(65,441)
Net pledges and grants receivable	<u>\$ 1,154,083</u>	<u>\$ 1,976,484</u>

Pledges receivable expected to be received in more than one year are discounted at 5.75% and 4.25% for 2022 and 2021, respectively. 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:

	2022	2021
USDA contributed food	\$ 1,268,449	\$ 1,613,366
Purchased food	1,856,286	1,796,826
Other contributed food	3,948,746	5,071,890
	<u>\$ 7,073,481</u>	<u>\$ 8,482,082</u>

Note 6 – Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Food inventory	\$ 64,416,664	\$ 702,535	\$ 77,864,226	\$ 264,831
Nonfood inventory	1,174,411	97,302	2,207,518	22,762
	<u>\$ 65,591,075</u>	<u>\$ 799,837</u>	<u>\$ 80,071,744</u>	<u>\$ 287,593</u>

Food Bank recognizes contributed nonfinancial assets consisting of contributed food and nonfood inventory. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food and nonfood inventory is distributed to Oklahomans facing hunger through a network of partner pantries and feeding programs. The Food Bank does not sell contributed inventory. Nonfood contributions include items such as face masks, hand sanitizer, emergency blankets and plastic aprons.

Note 7 – Property, Plant and Equipment

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

	Useful Life	2022	2021
Land		\$ 364,655	\$ 364,655
Building	39 years	19,835,784	19,598,982
Furniture and fixtures	5 - 7 years	890,243	890,243
Transportation equipment	3 - 5 years	2,884,498	2,099,287
Warehouse equipment and improvements	5 - 7 years	4,484,229	4,022,326
Agency equipment	5 - 7 years	967,161	967,161
Computer software	3 - 5 years	1,320,284	1,135,131
Construction in process		75,593	495,570
		30,822,447	29,573,355
Less: accumulated depreciation		<u>(15,021,505)</u>	<u>(13,929,455)</u>
Property, plant and equipment, net		<u>\$ 15,800,942</u>	<u>\$ 15,643,900</u>

Note 8 – Notes Payable

During 2020, Food Bank entered into a Paycheck Protection Program loan through the U.S. Small Business Administration (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. 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 9 – Capital Lease Obligations

During 2022, Food Bank entered into new leases for vehicles with an asset value of \$68,066 that will expire in April 2027. Transportation equipment and vehicles under capital leases for the years ended June 30, 2022 and 2021, were \$2,474,644 and \$2,788,763, with accumulated amortization of \$1,129,084 and \$829,041, 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, 2022:

<u>Year ending June 30,</u>	
2023	\$ 401,951
2024	389,467
2025	368,046
2026	280,675
2027	<u>31,215</u>
	1,471,354
Less imputed interest	<u>(60,802)</u>
Present value of net minimum lease payments	<u><u>\$ 1,410,552</u></u>

Note 10 – Handling Fees

Member agencies paid up to \$0.19 per pound of food distributed for the years ended June 30, 2022 and 2021, 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 2022 and 2021. The Emergency Food Assistance Program (TEFAP) product did not carry a handling fee. Total agency handling fees were approximately \$612,000 and \$713,000 for years ended June 30, 2022 and 2021, respectively.

Note 11 – 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, 2022 and 2021, were \$196,000 and \$163,000, respectively.

Note 12 – 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, 2022 and 2021. The fair value of endowed funds transferred by Food Bank to OCCF and CFO at June 30, 2022 and 2021, 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 \$243,363 and \$294,739 at June 30, 2022 and 2021, respectively. The fair value of endowed funds held by CFO at June 30, 2022 and 2021, for the benefit of Food Bank that were contributed directly to CFO by donors, was \$45,399 and \$53,290, respectively. These endowed funds are not reflected in Food Bank's accompanying consolidated statements of financial position.

Note 13 – 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, 2022 and 2021, \$698,208 and \$817,488, respectively, of this fund is held by CFO (see Note 12).
- Endowment funds held by community foundations (see Note 12).

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, 2022 and 2021.

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

	2022	2021
Donor restricted endowment funds	\$ 2,211,679	\$ 2,448,480
Board designated endowment funds	4,365,032	2,703,639
Total endowment	<u>\$ 6,576,711</u>	<u>\$ 5,152,119</u>

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time/ Purpose	Perpetual	
Endowment net assets, June 30, 2021	\$ 2,703,639	\$ 912,214	\$ 1,536,266	\$ 5,152,119
Investment gain (loss):				
Investment income	117,049	50,047	-	167,096
Net depreciation (realized and unrealized)	(487,541)	(228,075)	-	(715,616)
Investment fees	(15)	(9,052)	-	(9,067)
Net investment gain	(370,507)	(187,080)	-	(557,587)

	Without Donor Restrictions	With Donor Restrictions		Total
		Time/ Purpose	Perpetual	
Contributions	2,031,900	-	1,000	2,032,900
Appropriations for expenditure	-	(50,721)	-	(50,721)
Endowment net assets, June 30, 2022	<u>\$ 4,365,032</u>	<u>\$ 674,413</u>	<u>\$ 1,537,266</u>	<u>\$ 6,576,711</u>
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>

Note 14 – 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 through June 30, 2023.

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, 2022 and 2021, under this contract Food Bank recognized revenue and support of approximately \$13,400,000 and \$26,500,000 for contributed food and \$1,700,000 and \$1,700,000 for reimbursement of costs, respectively.

Note 15 – 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, 2022 or 2021. During the years ended June 30, 2022 and 2021, 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, 2022:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 9,507,379	\$ -	\$ -	\$ 9,507,379
Equity securities	34,500	-	-	34,500
Pooled mutual funds	16,201,720	-	-	16,201,720
Exchange traded funds	12,827,417	-	-	12,827,417
Total investments	38,571,016	-	-	38,571,016
Beneficial interest in assets held at OCCF and CFO	-	-	881,382	881,382
Total assets at fair value	<u>\$ 38,571,016</u>	<u>\$ -</u>	<u>\$ 881,382</u>	<u>\$ 39,452,398</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, 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 summarizes the changes in fair value of Food Bank's Level 3 financial assets for the year ended June 30:

Note 16 – Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purpose:		
Food resource centers and capital campaign	\$ 14,283	\$ 19,783
General operating	933,234	1,251,267
Childhood hunger programs	445,878	344,697
Shorten the Line Initiatives	452,617	557,567
Disaster relief	3,952,331	4,417,090
Grants	1,693,257	1,684,558
Other	1,426,968	1,704,444
	<u>8,918,568</u>	<u>9,979,406</u>
Not available for appropriation or expenditure:		
Endowments held in perpetuity	<u>1,537,266</u>	<u>1,536,266</u>
	<u>\$ 10,455,834</u>	<u>\$ 11,515,672</u>

Net assets held in perpetuity of \$1,537,266 and \$1,536,266 at June 30, 2022 and 2021, respectively, include funds held in Food Bank's endowment to support equipment maintenance, operations and childhood hunger programs (see Note 13).

Note 17 – Related Party Transactions

Food Bank has pledges receivable of approximately \$225,000 and \$383,000 at June 30, 2022 and 2021, 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, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN (CFDA) Number	Agency or Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through Oklahoma Department of Human Services:				
Food Distribution Cluster:				
Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	\$ 8,748,507	\$ 8,748,507
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	4,602,547	4,602,547
Emergency Food Assistance Program (Administrative Costs)	10.568	55210	-	1,487,026
Commodity Supplemental Food Program	10.565	55210	-	338,725
Subtotal of Food Distribution Cluster			13,351,054	15,176,805
Pass-through Oklahoma Department of Education:				
Child and Adult Care Food Program	10.558	DC-55-811	-	753,691
Child Nutrition Cluster:				
Summer Food Service Program	10.559	55-X514	-	774,895
Total U.S. Department of Agriculture			13,351,054	16,705,391
U.S. Department of Health and Human Services:				
Pass-through Oklahoma Department of Human Services:				
TANF Support for Commodity Distribution	93.558	17007716	-	227,500
Total federal expenditures			<u>\$ 13,351,054</u>	<u>\$ 16,932,891</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

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 during the fiscal year. At June 30, 2022, RFB had U.S. Department of Agriculture commodities inventory of \$1,268,449.

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, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 26, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Oklahoma City, Oklahoma
September 26, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH 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

Opinion on 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 identified as subject to audit in the *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, 2022. 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.

In our opinion, the Food Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Food Bank's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Food Bank's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

Oklahoma City, Oklahoma
September 26, 2022

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

Year ended June 30, 2022

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:	
ALN (CFDA) Number(s)	Name of Federal Program or Cluster
<u>U.S. Dept. of Agriculture:</u>	<u>Food Distribution Cluster:</u>
10.569	Emergency Food Assistance Program – Commodities
10.568	Emergency Food Assistance Program – Administrative Costs
10.565	Emergency Food Assistance Program – Commodity Supplemental Food Program
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
	Yes No
Auditee qualified as low-risk auditee?	X

REGIONAL FOOD BANK OF OKLAHOMA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

Finding/Noncompliance		Questioned Costs
Finding:	Item 2022-001 – Procurement and Debarment <i>Federal Program</i> – Child and Adult Care Food Program <i>ALN (CFDA) Numbers</i> – 10.558 <i>Agency Award Number</i> – DC-55-811 <i>Federal Award Year</i> – June 30, 2022 <i>Federal Agency</i> – U.S. Department of Agriculture <i>Pass-Through Entity</i> – Oklahoma Dept. of Education	\$ -
Criteria:	2 CFR § 200.303, <i>Internal Controls</i> requires that a non-Federal entity establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Food Bank's procurement policy states: The CEO will not enter into any new contracts or purchase agreements or new commitments of any kind valued at or above \$500,000 per year without Board review and approval.	
Condition:	The Food Bank did not obtain proper approval by the CEO or the Board for procurement of the food products used for the Child and Adult Care Food Program based on the policy for acquiring goods and services.	
Cause:	The Food Bank did not follow its procurement policy for Board review and approval of the purchase contract under the federal program.	
Effect:	Without appropriate approvals, the Food Bank could obtain food products that are not needed or from vendors who are not approved under the program.	
Context:	Not applicable.	
Recommendation:	The Food Bank should institute a procedure to ensure appropriate approval of all purchases under the program.	
View of responsible officials:	Management's response is reported in "Management's Views and Corrective Action Plan" at the end of this report.	

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

Year ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

EXHIBIT – CORRECTIVE ACTION PLAN



September 19, 2022

RE: Schedule of Findings and Questioned Costs, Independent Auditor's Reports for Year Ended June 30, 2022

To whom it may concern:

A process has been put in place for the proper board review and approval of all contracts over an annual value of \$500,000. The Chief Financial Officer already reviews all contracts prior to the approval and signature of the Chief Executive Officer. Effective on this date and going forward, the CFO will flag all contracts in excess of the stated threshold and notify the CEO, Executive Assistant, and board Treasurer that an action of the board will be required.

In addition, a standing agenda item will be added for the board finance committee to discuss any notable contracts and potential board approval requirements at each meeting.

In fiscal year 2022, the only contract exceeding the \$500,000 annual value threshold was for the purchase of food for the Child and Adult Care Food Program and Summer Food Service Program.

Sincerely,

Stephanie Mendenhall
Chief Financial Officer
Regional Food Bank of Oklahoma