



REGIONAL FOOD BANK OF OKLAHOMA, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2023 and 2022

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 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, 2023 and 2022, 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, 2023 and 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, 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 25, 2023, 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 25, 2023

REGIONAL FOOD BANK OF OKLAHOMA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 5,911,724	\$ 8,012,998
Accounts receivable, less allowance for doubtful accounts of \$68,106 and \$45,490 at June 30, 2023 and 2022, respectively	1,764,597	1,524,411
Pledges and grants receivable, net	1,167,717	1,154,083
Inventory	8,673,429	7,073,481
Prepaid expenses	491,078	424,397
Investments	40,325,611	38,571,016
Beneficial interests in assets held by community foundations	1,186,563	881,382
Finance lease right-of-use assets, net of accumulated amortization	1,105,166	1,345,560
Property, plant and equipment, net of accumulated depreciation	16,708,070	15,800,942
	<u>\$ 77,333,955</u>	<u>\$ 74,788,270</u>
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 899,163	\$ 522,744
Accrued expenses	590,507	408,484
Finance lease liabilities	1,159,723	1,410,552
Notes payable	-	6,089
	<u>2,649,393</u>	<u>2,347,869</u>
Total liabilities		
Net assets:		
Without donor restrictions:		
Undesignated	38,254,690	32,983,527
Board designated	9,380,514	13,265,090
Invested in fixed assets, net of related debt	16,653,513	15,735,950
	<u>64,288,717</u>	<u>61,984,567</u>
Total net assets without donor restrictions		
With donor restrictions	10,395,845	10,455,834
	<u>74,684,562</u>	<u>72,440,401</u>
Total net assets		
Total liabilities and net assets	<u>\$ 77,333,955</u>	<u>\$ 74,788,270</u>

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended June 30, 2023
(and Comparative Totals for 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	Comparative Totals for 2022
Revenues and Other Support from Direct Operating Activities				
Value of contributed inventory, including USDA commodities	\$ 75,749,531	\$ 424,352	\$ 76,173,883	\$ 66,390,912
Handling fees and reimbursements for purchased products and related storage and distribution costs	4,687,631	-	4,687,631	3,415,181
Government contracts and grants	4,577,390	-	4,577,390	3,574,383
Contributions:				
Corporate	1,748,387	859,003	2,607,390	2,634,987
Grants and foundations	974,863	1,037,894	2,012,757	1,668,792
Individuals	5,090,622	968,100	6,058,722	6,256,973
Other	567,216	2,055,824	2,623,040	1,619,588
Interest income	1,301,455	56,969	1,358,424	909,365
Other income	206,198	-	206,198	122,206
Net assets released from restriction	5,540,069	(5,540,069)	-	-
Total revenues and other support from direct operating activities	100,443,362	(137,927)	100,305,435	86,592,387
Expenses from Direct Operating Activities				
Program services:				
Value of inventory distributed, including shrinkage and spoilage	74,984,510	-	74,984,510	67,858,973
Other program services	19,817,628	-	19,817,628	17,268,313
	94,802,138	-	94,802,138	85,127,286
Supporting services:				
Management and general	2,432,209	-	2,432,209	1,880,639
Fundraising	2,214,765	-	2,214,765	1,931,199
Total expenses from direct operating activities	99,449,112	-	99,449,112	88,939,124
Net (expense) revenue from direct operating activities	994,250	(137,927)	856,323	(2,346,737)
Nonoperating Activities				
Net unrealized/realized gain (loss) on investments	1,309,900	77,938	1,387,838	(4,246,540)
Change in net assets	2,304,150	(59,989)	2,244,161	(6,593,277)
Net assets, beginning of year	61,984,567	10,455,834	72,440,401	79,033,678
Net assets, end of year	\$ 64,288,717	\$ 10,395,845	\$ 74,684,562	\$ 72,440,401

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 and Other Support from Direct Operating Activities				
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
Other	638,925	980,663	1,619,588	2,595,540
Forgiveness of Paycheck Protection Program note payable	-	-	-	1,143,900
Interest income	859,317	50,048	909,365	428,524
Other income	122,206	-	122,206	211,674
Net assets released from restriction	4,833,509	(4,833,509)	-	-
Total revenues and other support from direct operating activities	87,415,097	(822,710)	86,592,387	132,903,696
Expenses from Direct Operating Activities				
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 from direct operating activities	88,939,124	-	88,939,124	101,597,480
Net (expense) revenue from direct operating activities	(1,524,027)	(822,710)	(2,346,737)	31,306,216
Nonoperating Activities				
Net unrealized/realized gain (loss) on investments	(4,009,412)	(237,128)	(4,246,540)	2,487,436
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

REGIONAL FOOD BANK OF OKLAHOMA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	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	\$ -	\$ 74,984,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,984,510	\$ -	\$ -	\$ 74,984,510
Food supplements - purchased inventory utilized	-	2,791,283	-	-	-	-	-	2,791,283	-	-	2,791,283
Personnel	57,784	2,869,528	921,856	184,687	407,177	112,779	2,258,064	6,811,875	1,622,824	1,012,552	9,447,251
Equipment rental and maintenance	-	350,503	8,012	541	5,952	-	139,759	504,767	62,623	109,740	677,130
Occupancy	37	191,637	2,724	1,259	80,531	204	426,726	703,118	86,183	11,347	800,648
Food distribution costs	273,880	181,754	3,074,826	467,689	53,250	1,119,072	-	5,170,471	-	-	5,170,471
Agency support	-	424,553	63,966	30,639	290	-	-	519,448	-	-	519,448
Transportation	-	680,263	147,163	112,733	66,447	43,872	268,770	1,319,248	1,312	-	1,320,560
Professional services	-	123,177	-	-	525	-	2,253	125,955	400,611	678,427	1,204,993
Special events	-	20	85	-	40	-	988	1,133	1,295	90,372	92,800
Supplies	-	75,785	3,745	7,336	11,108	-	85,360	183,334	12,064	25,556	220,954
Travel	-	30,287	7,789	68	2,485	-	19,523	60,152	50,852	16,054	127,058
Depreciation and amortization	-	722,832	-	-	20,818	-	751,977	1,495,627	3,171	-	1,498,798
Other	-	70,610	970	-	3,343	32	56,262	131,217	191,274	270,717	593,208
	<u>\$ 331,701</u>	<u>\$ 83,496,742</u>	<u>\$ 4,231,136</u>	<u>\$ 804,952</u>	<u>\$ 651,966</u>	<u>\$ 1,275,959</u>	<u>\$ 4,009,682</u>	<u>\$ 94,802,138</u>	<u>\$ 2,432,209</u>	<u>\$ 2,214,765</u>	<u>\$ 99,449,112</u>

See notes to consolidated financial statements.

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 STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 2,244,161	\$ (6,593,277)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,498,798	1,477,636
Value of contributed inventory	(76,173,883)	(66,390,912)
Value of inventory distributed, including shrinkage and spoilage	74,984,510	67,858,973
Provision for doubtful receivables	71,372	(5,144)
Contributions restricted for long-term purposes	(300,000)	(1,000)
Gain on disposal of property, plant and equipment	(3,000)	(566)
Net unrealized/realized (gain) loss on investments	(1,387,838)	4,246,540
Changes in operating assets and liabilities:		
Accounts receivable	(240,186)	(440,859)
Pledges and grants receivable	(85,006)	827,545
Inventory	(410,575)	(59,460)
Prepaid expenses	(66,681)	(26,544)
Accounts payable	376,419	(143,803)
Accrued expenses	182,023	(275,631)
Net cash provided by operating activities	690,114	473,498
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(1,978,200)	(957,780)
Proceeds from sales of property, plant and equipment	3,000	1,396
Purchases of investments	(87,184,484)	(26,315,697)
Proceeds from sales of investments	86,512,546	21,678,545
Net cash used in investing activities	(2,647,138)	(5,593,536)
Cash Flows from Financing Activities		
Contributions for endowment	300,000	1,000
Payments on notes payable	(6,089)	(8,118)
Payments on finance lease obligations	(438,161)	(414,823)
Net cash used in financing activities	(144,250)	(421,941)
Net decrease in cash and cash equivalents	(2,101,274)	(5,541,979)
Cash and cash equivalents, beginning of year	8,012,998	13,554,977
Cash and cash equivalents, end of year	\$ 5,911,724	\$ 8,012,998
Supplemental Cash Flow Information		
Finance lease liabilities arising from obtaining right-of-use assets	\$ 21,025	\$ 63,566
Finance lease liabilities arising from remeasurement of finance leases	\$ 116,426	\$ -

See notes to consolidated financial statements.

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 as well as the United States Department of Agriculture (USDA) 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 entities, 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, 2023 and 2022, approximately 30,600 and 18,700 unduplicated volunteers contributed approximately 112,300 and 73,300 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:

- 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, 2023, contributed food and other products from other sources were valued using the Feeding America report dated June 30, 2022, related to the year ended December 31, 2021. 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.
- 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 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.

Leases

The Food Bank determines if an arrangement contains an operating or finance lease at its inception and recognizes right-of-use assets and lease liabilities at the commencement date based on the present value of lease payments over the lease terms.

The discount rate for a lease is the rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is based on information available at the commencement date including the general credit of the Food Bank and the nature of the underlying lease assets. The Food Bank combines lease and nonlease components to determine lease payments for all leases. The Food Bank does not record leases with terms of 12 months or less on the statement of financial position but instead recognizes the lease payments as an expense on a straight-line basis over the term of the lease. The Food Bank recognizes variable lease payments as expenses when incurred.

For finance leases, lease expenses are the sum of interest on the lease obligations and amortization of the right-of-use assets. Finance lease right-of-use assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the right-of-use assets transfers to the Food Bank at the end of the lease term or if the Food Bank is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

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.

Approximately 43% of the pledges receivable balance were from three donors at June 30, 2023. At June 30, 2022, approximately 45% of the pledges receivable balance were from two donors.

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.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications had no impact on the previously reported change in net assets.

Recently adopted accounting standard

Effective July 1, 2022, the Food Bank adopted the new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* ASC 842, which supersedes the guidance in ASC 840, *Leases*, and generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the statement of financial position. The Food Bank used the modified retrospective transition method and elected to recognize the cumulative-effect adjustments as of July 1, 2022, the beginning of the adoption period.

The Food Bank elected the following transition practical expedients: (a) no reassessment of whether contractual arrangements that expired prior to the adoption date are, or contain leases, (b) the classification of existing capital leases as finance leases and existing operating leases as operating leases, (c) no redetermination of initial direct costs for leases that existed as of the adoption date, (d) application of hindsight in determining the lease term and impairment of right-of-use assets.

As a result of the adoption, the Food Bank reclassified existing capital lease liabilities of \$1,410,552 and capital lease assets of \$1,345,560 as of July 1, 2022, to finance lease liabilities and finance right-of-use assets, respectively.

Subsequent events

Management has evaluated subsequent events through September 25, 2023, the date the consolidated financial statements were available to be issued.

Note 3 – Pledges and Grants Receivable

Pledges and grants receivable are as follows at June 30:

	2023	2022
Less than one year	\$ 765,803	\$ 472,418
One to five years	484,922	759,328
Total pledges and grants receivable	1,250,725	1,231,746
Less allowance for uncollectible pledges	(25,638)	(18,639)
Less discount to present value	(57,370)	(59,024)
Net pledges and grants receivable	<u>\$ 1,167,717</u>	<u>\$ 1,154,083</u>

Pledges receivable expected to be received in more than one year are discounted at 9.25% and 5.75% for 2023 and 2022, respectively. Substantially, all pledges and grants receivable are restricted for use in a future period or for a specific program of Food Bank.

Note 4 – Inventory

Inventory is comprised of the following at June 30:

	2023	2022
USDA contributed food	\$ 1,037,437	\$ 1,268,449
Purchased inventory	2,266,860	1,856,286
Other contributed inventory	5,369,132	3,948,746
	<u>\$ 8,673,429</u>	<u>\$ 7,073,481</u>

Note 5 – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities include the following for the years ended June 30:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Food inventory	\$ 72,763,667	\$ 424,352	\$ 64,416,664	\$ 702,535
Nonfood inventory	2,985,864	-	1,174,411	97,302
	<u>\$ 75,749,531</u>	<u>\$ 424,352</u>	<u>\$ 65,591,075</u>	<u>\$ 799,837</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 household goods, cleaning products and pet food.

Note 6 – 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, 2023 or 2022. During the years ended June 30, 2023 and 2022, 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 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, 2023:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 9,436,686	\$ -	\$ -	\$ 9,436,686
Equity securities	34,500	-	-	34,500
Exchange traded funds	30,854,425	-	-	30,854,425
Total investments	40,325,611	-	-	40,325,611
Beneficial interest in assets held at OCCF and CFO	-	-	1,186,563	1,186,563
Total assets at fair value	\$ 40,325,611	\$ -	\$ 1,186,563	\$ 41,512,174

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
Exchange traded funds	29,029,137	-	-	29,029,137
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	\$ 38,571,016	\$ -	\$ 881,382	\$ 39,452,398

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

	Beneficial Interests in Assets Held by Community Foundations	
	2023	2022
Balance at July 1	\$ 881,382	\$ 988,291
Net investment performance	50,195	(56,188)
Distributions to Food Bank	(45,014)	(50,721)
Contributions from Food Bank	300,000	-
Balance at June 30	\$ 1,186,563	\$ 881,382

Note 7 – 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.

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 \$338,192 and \$243,363 at June 30, 2023 and 2022, respectively. The fair value of endowed funds held by CFO at June 30, 2023 and 2022, for the benefit of Food Bank that were contributed directly to CFO by donors, was \$62,096 and \$45,399, respectively. These endowed funds are not reflected in Food Bank's accompanying consolidated statements of financial position.

Note 8 – Property, Plant and Equipment

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

	Useful Life	2023	2022
Land		\$ 364,655	\$ 364,655
Building	39 years	19,880,272	19,835,784
Furniture and fixtures	5 - 7 years	890,243	890,243
Transportation equipment	3 - 5 years	3,097,351	2,884,498
Warehouse equipment and improvements	5 - 7 years	5,019,426	4,484,229
Agency equipment	5 - 7 years	967,161	967,161
Computer software	3 - 5 years	1,320,284	1,320,284
Construction in process		1,233,141	75,593
		32,772,533	30,822,447
Less: accumulated depreciation		(16,064,463)	(15,021,505)
Property, plant and equipment, net		\$ 16,708,070	\$ 15,800,942

Note 9 – Finance Leases

The Food Bank leases vehicles and other transportation equipment for various terms under long-term, noncancelable finance lease agreements. The Food Bank has variable lease payments based on excess mileage usage for certain vehicle finance leases.

The Food Bank's lease costs and other information are as follows for the year ended June 30, 2023:

Finance lease cost:	
Amortization of right-of-use assets	\$ 379,346
Interest on lease liabilities	33,734
	\$ 413,080
Total finance lease cost	\$ 413,080
Other information:	
Cash paid for amounts included in the measurement lease liabilities:	
Operating cash flows from finance leases	\$ 438,161
Financing cash flows from finance leases	375,175
Right-of-use assets obtained in the exchange for new finance lease liabilities	22,525
Right-of-use assets obtained in the remeasurement of finance lease liabilities	183,832
Weighted-average remaining lease term - finance leases	2.81 years
Weighted-average discount rate - finance leases	4.90%

Future minimum lease payments for finance leases as of June 30, 2023, are as follows:

<u>Year ended June 30,</u>	
2024	\$ 424,577
2025	403,156
2026	310,412
2027	<u>37,406</u>
	1,175,551
Less imputed interest	<u>15,828</u>
Present value of net minimum lease payments	<u><u>\$ 1,159,723</u></u>

Leases in accordance with ASC 840, Leases

During the year ended June 30, 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 year ended June 30, 2022 were \$2,474,644, with accumulated amortization of \$1,129,084.

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 ended 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 – Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Food resource centers and capital campaign	\$ 14,283	\$ 14,283
General operating	722,207	933,234
Childhood hunger programs	560,348	445,878
Shorten the Line Initiatives	371,412	452,617
Disaster relief	3,644,901	3,952,331
Grants	2,100,171	1,693,257
Other	<u>1,145,257</u>	<u>1,426,968</u>
	8,558,579	8,918,568
Not available for appropriation or expenditure:		
Endowments held in perpetuity	<u>1,837,266</u>	<u>1,537,266</u>
	<u><u>\$ 10,395,845</u></u>	<u><u>\$ 10,455,834</u></u>

Net assets held in perpetuity of \$1,837,266 and \$1,537,266 at June 30, 2023 and 2022, respectively, include funds held in Food Bank's endowment to support equipment maintenance, operations and childhood hunger programs (see Note 11).

Note 11 – 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. Variance power over this fund was effectively transferred to the Board of Directors of Food Bank at that time. Accordingly, this fund was classified as a board designated endowment supporting the continued maintenance of the facility. In fiscal year 2023, the board elected to draw down the remaining balance of this fund to ensure the urgent replacement of refrigeration units for the main freezer.
- 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 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. Variance power over this fund was effectively transferred to the Board of Directors of Food Bank at that time. Accordingly, this fund was classified as a board-designated endowment supporting the continued operations of Food Bank programs under the same draw down structure established by the original donor.
- Childhood Hunger Endowment Fund. This is a donor-restricted endowment fund, to be held in perpetuity, created to provide earnings for Food Bank's Childhood Hunger programs.

- 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. The donor-restricted portion of this endowment is held at CFO. At June 30, 2023 and 2022, \$1,024,608 and \$698,208, respectively, of this fund is held by CFO (see Note 7). In fiscal year 2019, the Board of Directors of Food Bank elected to remove the restrictions from the board designated portion, making it available for use for general operations and creating the ability to add other unrestricted funding to the account. This change is reflected in the fiscal year 2023 activity in the tables below shown as a release from the Board designated endowment.
- Endowment funds held by community foundations (see Note 7).

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, 2023 and 2022.

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

	2023	2022
Donor restricted endowment funds	\$ 2,601,582	\$ 2,211,679
Board designated endowment funds	316,172	4,365,032
Total endowment	<u>\$ 2,917,754</u>	<u>\$ 6,576,711</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, 2022	\$ 4,365,032	\$ 674,413	\$ 1,537,266	\$ 6,576,711
Investment gain (loss):				
Investment income	22,875	56,969	-	79,844
Net appreciation (realized and unrealized)	(10,006)	86,114	-	76,108
Investment fees	(15)	(8,166)	-	(8,181)
Net investment gain	12,854	134,917	-	147,771
Contributions	-	-	300,000	300,000
Appropriations for expenditure	(671,718)	(45,014)	-	(716,732)
Release from Board designation	(3,389,996)	-	-	(3,389,996)
Endowment net assets, June 30, 2023	<u>\$ 316,172</u>	<u>\$ 764,316</u>	<u>\$ 1,837,266</u>	<u>\$ 2,917,754</u>

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

Note 12 – Liquidity and Availability of Resources

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

	2023	2022
Cash and cash equivalents	\$ 5,911,724	\$ 8,012,998
Accounts receivable	1,764,597	1,524,411
Pledges receivable	1,167,717	1,154,083
Investments	40,325,611	38,571,016
Beneficial interests in assets held by community foundations	1,186,563	881,382
Less those unavailable for general expenditures within one year due to:		
Donor restrictions	(10,395,845)	(10,455,834)
Board designation for endowment	(316,172)	(4,365,032)
	<u>\$ 39,644,195</u>	<u>\$ 35,323,024</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.

Board designated operating reserves of \$9,064,342 and \$8,900,058 as of June 30, 2023 and 2022, respectively, are included in investments above. Endowment investments, which are not available for general expenditures, are excluded.

Note 13 – Commitments

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, 2024.

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, 2023 and 2022, under this contract Food Bank recognized revenue and support of approximately \$13,538,000 and \$13,400,000 for contributed food and \$1,755,000 and \$1,700,000 for reimbursement of costs, respectively.

Note 14 – Handling Fees

Member agencies paid up to \$0.19 per pound of food distributed for the years ended June 30, 2023 and 2022, 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 2023 and 2022. The Emergency Food Assistance Program (TEFAP) product did not carry a handling fee. Total agency handling fees were approximately \$586,000 and \$612,000 for years ended June 30, 2023 and 2022, respectively.

Note 15 – 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, 2023 and 2022, were \$211,000 and \$196,000, respectively.

Note 16 – Related Party Transactions

Food Bank has pledges receivable of approximately \$172,500 and \$225,000 at June 30, 2023 and 2022, 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, 2023

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	\$ 11,914,786	\$ 11,914,786
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 3)	10.569	55210	1,622,838	1,622,838
Emergency Food Assistance Program (Administrative Costs)	10.568	55210	-	1,300,608
Commodity Supplemental Food Program	10.565	55210	-	316,364
Emergency Food Assistance Program - Commodity Credit Corporation (Administrative Costs)	10.187	55210	-	72,751
Subtotal of Food Distribution Cluster			13,537,624	15,227,347
Local Food Purchase Assistance (Purchases and Administrative Costs)	10.182	55210	-	311,423
Pass-through Oklahoma Department of Education:				
Child and Adult Care Food Program	10.558	DC-55-811	-	1,002,435
Child Nutrition Cluster:				
Summer Food Service Program	10.559	55-X514	-	433,913
Total U.S. Department of Agriculture			13,537,624	16,975,118
U.S. Department of Health and Human Services:				
Pass-through Oklahoma Department of Human Services:				
TANF Support for Commodity Distribution	93.558	17007716	-	454,027
U.S. Department of the Treasury:				
Pass-through Oklahoma Department of Commerce:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	75,000
Pass-through Alliance for Economic Development of Oklahoma City:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	20,000
Total U.S. Department of the Treasury			-	95,000
U.S. Department of Housing and Urban Development:				
Pass-through the City of Moore:				
COVID-19 - Community Development Block Grant	14.218		-	90,527
Total federal expenditures			\$ 13,537,624	\$ 17,614,672

REGIONAL FOOD BANK OF OKLAHOMA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Regional Food Bank of Oklahoma (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 to use the 10-percent de minimis indirect cost rate on select federal programs 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, 2023, RFB had U.S. Department of Agriculture commodities inventory of \$1,037,437.

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, 2023, 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 25, 2023.

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 25, 2023

**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, 2023. 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, 2023.

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 2023-001 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 CP". The signature is written in a cursive style with a large, sweeping initial "H".

Oklahoma City, Oklahoma
September 25, 2023

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

Year ended June 30, 2023

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
10.569	Food Distribution Cluster:
10.568	Emergency Food Assistance Program – Commodities
10.565	Emergency Food Assistance Program – Administrative Costs
	Emergency Food Assistance Program – Commodity Supplemental Food Program
10.187	Emergency Food Assistance Program - Commodity Credit Corporation Administrative Costs
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, 2023

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

Finding/Noncompliance		Questioned Costs
Finding:	Item 2023-001 – 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, 2023 <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/context:	The Food Bank did not obtain proper approval by 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.	
Repeat finding:	Finding is a repeat of finding 2022-001.	
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, 2023

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

Program	Finding/Noncompliance
Child and Adult Care Food Program:	Item 2022-001 Procurement and Debarment
Audit Finding:	During the year ended June 30, 2022, the Food Bank did not follow its procurement policy by obtaining 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.
Corrective Action Taken:	See Finding 2023-001.

EXHIBIT – CORRECTIVE ACTION PLAN



September 5, 2023

RE: Schedule of Findings and Questioned Costs, Independent Auditor's Reports for Year Ended June 30, 2023

To whom it may concern:

At the beginning of FY23, the following steps were initiated to ensure board review and approval of all contracts over an annual value of \$500,000 per internal financial policy:

- 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.
- 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.

To prevent the case in which a contract is overlooked due to multiple contracts requiring consideration at the same time, the organization will seek out an automated solution such as electronic workflows or contract lifecycle management software to be implemented in FY24 in combination with the previously established actions above.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Mendenhall".

Stephanie Mendenhall
Chief Financial Officer
Regional Food Bank of Oklahoma