

**KLAMATH - LAKE COUNTIES FOOD BANK**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



**Klamath - Lake Counties Food Bank  
Index to Financial Statements  
For the Years Ended June 30, 2020**

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**Klamath - Lake Counties Food Bank  
Board of Directors  
For the Years Ended June 30, 2020**

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<u>Director</u>	<u>Term Expires</u>
John Pellissier / President 9233 Old Fort Rd. Klamath Falls, OR 97601	July 2023
Rob Siems / Vice President PO Box 339 Klamath Falls, OR 97601	July 2023
Chris Stone / Secretary 6512 Sarah Circle Klamath Falls, OR 97603	July 2021
Derek Porter 2834 S. 6 <sup>th</sup> St. Klamath Falls, OR 97603	July 2022
Shirley Voight 17217 S. Poe Valley Rd Klamath Falls, OR 97603	July 2021
Dan Gellner 735 Commercial St., #5000 Klamath Falls, OR 97601	July 2021
John Stacy 3815 S. 6 <sup>th</sup> St. Klamath Falls, OR 97603	July 2022
Diana Boyd 3853 Clinton Ave. Klamath Falls, OR 97603	July 2021
Michelle Scott 31494 High St. Bonanza, OR 97623	July 2021



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## Independent Auditor's Report

Board of Directors  
Klamath - Lake Counties Food Bank

We have audited the accompanying financial statements of Klamath - Lake Counties Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

*Molatore, Scroggin, Peterson & Co LLP*  
Certified Public Accountants  
Klamath Falls, OR  
May 6, 2021

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Terrence J. Scroggin C.P.A. ~ Andrew E. Peterson C.P.A. ~ Gerrin P. DeGroot C.P.A.

☎ 824 Pine Street ☎ Klamath Falls, OR 97601 ☎ Phone: (541) 884-4164 ☎ Fax: (541) 883-1232 ☎

**Klamath - Lake Counties Food Bank**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	Assets	
	2020	2019
<b>Current Assets</b>		
Cash and cash equivalents	\$ 633,519	\$ 353,752
Grocery store gift cards	2,820	865
Unconditional promises to give, net	78,348	42,905
Inventory	193,383	83,931
Prepaid expenses	17,560	19,950
<b>Total Current Assets</b>	<b>925,630</b>	<b>501,403</b>
<b>Property and Equipment</b>		
Building and improvements	536,103	536,103
Office equipment	44,923	41,761
Equipment	295,125	288,230
Less accumulated depreciation	(502,975)	(473,630)
<b>Net Property and Equipment</b>	<b>373,176</b>	<b>392,464</b>
<b>Other Assets</b>		
Beneficial interest in assets held by the Klamath Community Foundation	26,359	22,296
<b>Total Assets</b>	<b>\$ 1,325,165</b>	<b>\$ 916,163</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 67,983	\$ 38,867
Accrued liabilities	43,439	65,306
<b>Total Current Liabilities</b>	<b>111,422</b>	<b>104,173</b>
<b>Net Assets</b>		
Unrestricted	1,118,188	755,150
Restricted	95,555	56,840
<b>Total Net Assets</b>	<b>1,213,743</b>	<b>811,990</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,325,165</b>	<b>\$ 916,163</b>

The accompanying notes are an integral part of these financial statements.

**Klamath - Lake Counties Food Bank**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	2020		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Share contributions	\$ 20,072	\$ -	\$ 20,072
Donations - cash	461,231	4,200	465,431
Allocations by United Way	32,829	-	32,829
Food drives	16,595	-	16,595
Initiatives	146,558	-	146,558
FEMA	-	5,000	5,000
Grants	29,300	189,186	218,486
In-kind income - food donations	2,475,693	-	2,475,693
Oregon Hunger Response Fund	85,000	-	85,000
USDA Reimbursements	59,048	-	59,048
Interest income	709	-	709
Change in beneficial interest	64	-	64
Miscellaneous income	219	-	219
Net assets released from restrictions	159,671	(159,671)	-
<b>Total Revenue and Other Support</b>	<u>3,486,989</u>	<u>38,715</u>	<u>3,525,704</u>
<b>Expenses</b>			
<b>Program services</b>			
Food distribution	2,961,072	-	2,961,072
<b>Supporting services</b>			
Management and general	78,484	-	78,484
Fund-raising	84,395	-	84,395
<b>Total Expenses</b>	<u>3,123,951</u>	<u>-</u>	<u>3,123,951</u>
<b>Increase (decrease) in net assets</b>	<u>363,038</u>	<u>38,715</u>	<u>401,753</u>
<b>Net Assets, Beginning</b>	<u>755,150</u>	<u>56,840</u>	<u>811,990</u>
<b>Net Assets, Ending</b>	<u>\$ 1,118,188</u>	<u>\$ 95,555</u>	<u>\$ 1,213,743</u>

The accompanying notes are an integral part of these financial statements.

**Klamath - Lake Counties Food Bank**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

	2019		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Share contributions	\$ 19,999	\$ -	\$ 19,999
Donations - cash	220,056	4,450	224,506
Allocations by United Way	32,642	-	32,642
Food drives	16,429	-	16,429
Initiatives	135,421	-	135,421
FEMA	-	3,410	3,410
Grants	7,590	58,906	66,496
In-kind income - food donations	2,050,301	-	2,050,301
Oregon Hunger Respons Fund	110,749	-	110,749
USDA Reimbursements	21,299	-	21,299
Interest income	457	-	457
Change in beneficial interest	3,377	-	3,377
Miscellaneous income	709	-	709
Net assets released from restrictions	24,260	(24,260)	-
Total Revenue and Other Support	<u>2,643,289</u>	<u>42,506</u>	<u>2,685,795</u>
<b>Expenses</b>			
<b>Program services</b>			
Food distribution	2,476,050	-	2,476,050
<b>Supporting services</b>			
Management and general	73,100	-	73,100
Fund-raising	77,667	-	77,667
Total Expenses	<u>2,626,817</u>	<u>-</u>	<u>2,626,817</u>
Increase (decrease) in net assets	16,472	42,506	58,978
Net Assets, Beginning	738,678	14,334	753,012
Net Assets, Ending	<u>\$ 755,150</u>	<u>\$ 56,840</u>	<u>\$ 811,990</u>

The accompanying notes are an integral part of these financial statements.

**Klamath - Lake Counties Food Bank**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 231,495	\$ 34,670	\$ 41,469	\$ 307,634
Payroll taxes	22,989	3,443	4,118	30,550
Employee benefits	16,280	2,438	2,916	21,634
Total Salaries and Related Payroll Expenses	270,764	40,551	48,503	359,818
Accounting	-	28,848	-	28,848
Advertising	-	-	30,068	30,068
Awards	-	-	1,847	1,847
Agency accounts paid	20,072	-	-	20,072
Fees	-	1,517	-	1,517
Food purchases	165,222	-	-	165,222
Fuel	4,698	-	-	4,698
In-kind food	2,366,240	-	-	2,366,240
Insurance	9,667	3,896	866	14,429
Meals	2,291	910	168	3,369
Miscellaneous	23,781	-	-	23,781
Occupancy	25,675	529	265	26,469
Postage	46	46	820	912
Repairs	24,156	755	252	25,163
Supplies	9,132	147	488	9,767
Telephone	4,531	299	149	4,979
Travel	917	384	367	1,668
Wishes Come True	4,989	-	-	4,989
Total Expenses Before Depreciation	2,932,181	77,882	83,793	3,093,856
Depreciation	28,891	602	602	30,095
Total Expenses	<u>\$ 2,961,072</u>	<u>\$ 78,484</u>	<u>\$ 84,395</u>	<u>\$ 3,123,951</u>

The accompanying notes are an integral part of these financial statements.



**Klamath - Lake Counties Food Bank**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 221,877	\$ 33,230	\$ 39,746	\$ 294,853
Payroll taxes	19,030	2,850	3,409	25,289
Employee benefits	18,012	2,698	3,227	23,937
Total Salaries and Related Payroll Expenses	258,919	38,778	46,382	344,079
Accounting	-	23,547	-	23,547
Advertising	-	-	27,099	27,099
Awards	-	-	983	983
Agency accounts paid	19,999	-	-	19,999
Fees	-	4,205	-	4,205
Food purchases	36,465	-	-	36,465
Fuel	5,291	-	-	5,291
In-kind food	2,048,932	-	-	2,048,932
Insurance	8,859	3,570	793	13,222
Meals	2,299	913	169	3,381
Miscellaneous	15,522	-	-	15,522
Occupancy	21,105	435	218	21,758
Postage	27	27	486	540
Repairs	10,572	330	110	11,012
Supplies	7,708	124	412	8,244
Telephone	4,456	294	147	4,897
Travel	460	193	184	837
Wishes Come True	2,585	-	-	2,585
Total Expenses Before Depreciation	2,443,199	72,416	76,983	2,592,598
Depreciation	32,851	684	684	34,219
Total Expenses	<u>\$ 2,476,050</u>	<u>\$ 73,100</u>	<u>\$ 77,667</u>	<u>\$ 2,626,817</u>

The accompanying notes are an integral part of these financial statements.

**Klamath - Lake Counties Food Bank**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
(Decrease) Increase in Net Assets	\$ 401,753	\$ 58,978
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	30,095	34,219
(Increase) decrease in operating assets		
Grocery store gift cards	(1,955)	158
Receivables	(35,443)	(42,905)
Inventory	(109,452)	(1,371)
Prepaid expenses	2,390	1,250
Net change in beneficial interest in assets held by the Klamath Community Foundation	(4,063)	(3,377)
Increase (decrease) in liabilities		
Accounts payable	29,116	33,008
Accrued liabilities	(21,867)	2,924
	<u>290,574</u>	<u>82,884</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets	<u>(10,807)</u>	<u>(7,503)</u>
	<u>(10,807)</u>	<u>(7,503)</u>
Net Increase (Decrease) in Cash	279,767	75,381
Cash - Beginning of Year	<u>353,752</u>	<u>278,371</u>
Cash - End of Year	<u>\$ 633,519</u>	<u>\$ 353,752</u>

The accompanying notes are an integral part of these financial statements.

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

**Background**

Klamath-Lake Counties Food Bank (the Organization) is a not-for-profit, private corporation designed to solicit, store, and distribute food to those with emergency food needs in the Klamath and Lake County regions of Oregon and the northernmost parts of Siskiyou County in California. The Organization was incorporated July 2, 1984. The Organization solicits food from the food industry, conducts general food drives from the public, purchases food with federal, state, and private funds, and receives commodities from the United States Department of Agriculture (USDA) and the Oregon Food Bank, Inc. (OFB).

**Basis of Presentation**

As a Not-for-Profit Organization, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions and does so in accordance with the accrual basis of accounting.

**Restricted and Unrestricted Support**

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Fair Value of Financial Instruments**

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments. The carrying amount reported in the balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts receivable, unconditional promises to give, beneficial interest in assets held by the Klamath Community Foundation, accounts payable, and accrued expenses.

**Fair Value Hierarchy**

All financial assets and liabilities are required to be categorized according to the following:

- Level 1 - using quoted prices in active markets for identical assets
- Level 2 - using significant other observable inputs
- Level 3 - using significant other unobservable inputs

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Donations of commodities are recorded as support at their estimated fair value, based on information provided by Feeding America and the OFB, which information has been reported on by another independent firm of certified public accountants. The organization has estimated the average fair value of commodities donated by the public to be \$1.25 per pound at June 30, 2020 and \$1.25 per pound at June 30, 2019. Certain commodities received from the OFB have been recorded based on the OFB's estimation of their value. Certain other commodities received from the federal government are recorded at the estimated fair value provided by the USDA. Federal Emergency Management Agency (FEMA) foods and any other food purchased by the Organization are valued at cost.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains the majority of its funds with one bank. All deposits were covered by FDIC insurance or held with qualified depositories for the years ended June 30, 2020 and 2019.

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**Accounts Receivable**

Management believes that all share fees, grants and contributions receivable as of June 30, 2020 and 2019 were fully collectible; therefore, no allowance for doubtful accounts was recorded. The Organization does not charge share fees to the agencies receiving food.

Where needed, the Organization will allocate restricted grants, in the form of credit memos, to agencies, using FEMA and private funds to cover the share fees. No formal grant procedure other than board approval is required. Agency receivables with credit balances have been included as a current liability in “Agency deposits” in the accompanying statement of financial position. The Organization does not require collateral from its customers and does not charge interest.

**Inventory**

Inventory, determined by the first-in, first-out method, consists of donated goods, commodities received from the OFB and government agencies, and purchased food. The portion of the donated goods inventory related to community donations is stated at \$1.25 and \$1.25 per pound, the estimated fair value of the donation for both the years ended June 30, 2020 and 2019 respectively. The value of items received from the OFB as supplemental items are valued by the OFB. The value of commodities, donated through the USDA, is stated at the estimated fair value provided by the USDA. Purchased food inventory is stated at cost.

**Property and Depreciation**

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. The Organization has elected to capitalize equipment with a cost greater than \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	Years
Office Equipment	5-7
Machinery and Equipment	5-10
Building and Improvements	10-39

**Donated Assets**

Donated food, marketable securities, and other noncash donations are recorded as contributions at estimated fair value at the date of donation. All food (purchased and donated) is recorded as an expense when it is distributed. Differences appear as changes to inventory on the statement of cash flows. Donated fixed assets affect the statement of cash flows as gains in operating assets.

It is the Organization’s policy to expend all eligible restricted funds first.

**U.S. Government Programs**

The Organization is considered a Regional Food Bank (RFB). As such it has entered into a contract with the OFB, the State Coordinating Agency (SCA). The Organization has also entered into contracts with Local Member Agencies (LMA) for the distribution of food and commodities to the LMA’s clients.

The Organization submits reimbursement requests to the OFB covering their storage and distribution expenses. Reimbursement for these expenses, up to the allocated amount of funds available, represents grants of federal funds to sub-recipients. Direct costs of storage and distribution for the USDA commodities incurred by the Organization are reimbursed by the State of Oregon using funds provided by the USDA through The Emergency Food Assistance Program (TEFAP), and the Commodity Supplemental Food Program (CSFP).

Continued funding levels of the emergency food assistance programs are subject to annual renewal by the Congress of the United States.

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**Contributed Services**

During the years ended June 30, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at both the Organization’s location as well as at LMA sites, but these services do not meet the criteria for recognition as contributed services.

The Organization received 1,408 hours directly in 2020 and 2,216 hours directly in 2019. The LMAs received 24,206 hours directly in 2020 and over 20,115 hours directly in 2019.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Tax-Exempt Status**

The Organization is a tax-exempt organization as defined by Internal Revenue Code Section 501(c)(3) for federal tax purposes and has been classified as an organization that is not a private foundation under Section 509(a)(2). It is also tax-exempt for state purposes and reports annually to the Oregon Department of Justice, Charitable Trust Section. There was no unrelated business income for 2020 or 2019. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization’s federal Exempt Organization returns (Form 990) for the years ended since June 30, 2017 are subject to examination by the IRS, generally for three years after they are filed.

**Advertising**

The Organization’s policy is to expense advertising costs as the costs are incurred. Advertising expense for the year ended June 30, 2020 was \$30,068 and for the year ended June 30, 2019 was \$27,099.

**Note 2 – Promises to Give**

Unconditional promises to give consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
United Way	\$ -	\$ 2,106
USDA TEFAP	59,048	21,299
Oregon Food Bank - OHRF/GFFP	19,300	19,500
	<u>\$ 78,348</u>	<u>\$ 42,905</u>

There were conditional promises to give of \$0 at June 30, 2020 and June 30, 2019.

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 3 – Net Assets with Donor Restrictions**

Net assets with Donor Restrictions are available for the following purposes or periods:

	2020	2019
Endowment Funds - for investment to generate future earnings	\$ 375	\$ 375
Private Donation - for food purchases with Gift Cards	2,820	865
TEAP Funds – for the purchase of food and to assist Agencies with the delivery cost of items	59,048	21,299
Oregon Hunger Relief Fund – for program which include salaries of support personnel etc.	19,300	19,500
Wishes Come True Donation - for the purchase of items or services for the Wishes Come True events	14,012	14,801
	\$ 95,555	\$ 56,840

All funds listed above are net assets with donor restrictions to be used for the purposes noted above.

**Note 4 – Concentration of Credit Risk**

The Organization received approximately 71% of its food donations in 2020 and 81% in 2019 from the OFB with an estimated fair value totaling \$1,758,620, and \$1,655,087, respectively.

Also, the Organization received approximately 12% of its cash donations in 2020 and 22% in 2019 from the OFB with amounts of \$124,860 and \$133,618, respectively.

**Note 5 – Related Party**

Related parties consist of members of the board of directors and management who are associated with or otherwise do business with the Organization. The Organization had transactions with two businesses associated with board members during the years ended June 30, 2020 and 2019. This included computer services from an entity associated with one board member totaling \$9,092 and \$1,732 during the years ended June 30, 2020 and 2019, respectively. Additionally, the Organization receives advertising services from a business associated with a second board member totaling \$3,990 and \$5,129 for the years ended June 30, 2020 and 2019, respectively.

**Note 6 – Endowment Fund - Beneficial Interest in Assets Transferred**

The Organization’s endowment consists of funds from donors that had a restriction on their use but allowed for the use of their income or growth to fund the ongoing operations. Additionally, the Organization’s Board approved a transfer of \$10,000 from net assets without donor restrictions funds to start the endowment. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 6 – Endowment Fund – Beneficial Interest in Assets Transferred** *(continued)*

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as either unrestricted net assets or temporarily restricted net assets based on the following. It is classified as unrestricted net assets to the extent of the original board contribution. Any remaining amount in the fund which consists of the growth is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has a spending policy of appropriating for distribution each year between 4-5% of its endowment fund as needed for operations. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow and allow it to keep up with expected inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. This was done by establishing an endowment fund with the Klamath Community Foundation. The Klamath Community Foundation invests these assets in a well-diversified asset mix which includes debt and equity securities, and other investment assets, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions at the desired rate. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The transfers to the Klamath Community Foundation were made with the understanding that the Organization would receive annual distributions of these funds in the 4-5% per year range based on the determination of the Klamath Community Foundation's board. Additionally, the Organization can request return of any additional funds with a majority vote of the Organization's board of directors and advance notice to and approval of the board of directors of the Klamath Community Foundation. At the time of the transfer, the Organization granted variance power to Klamath Community Foundation. That power gives the Klamath Community Foundation the right to distribute the investment income to another not-for-profit with similar objectives and purposes selected by the Klamath Community Foundation in its sole discretion, after consulting with and seeking the advice of such members of the board of directors of the Organization.

**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 6 – Endowment Fund – Beneficial Interest in Assets Transferred** *(continued)*

Changes in endowment net assets as of June 30, 2020 and 2019 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2018	\$ 18,544	\$ 375	\$ 18,919
Contributions received	3,000	-	3,000
Change in value of beneficial interest	377	-	377
Endowment net assets, June 30, 2019	\$ 21,921	\$ 375	\$ 22,296
Contributions received	4,000	-	4,000
Change in value of beneficial interest	63	-	63
Endowment net assets, June 30, 2020	<u>\$ 25,984</u>	<u>\$ 375</u>	<u>\$ 26,359</u>

**Note 7 – Fair Value Measurements**

Fair value of assets measured on a recurring basis at June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held by the Klamath Community Foundation	\$ 26,359	\$ 22,296

The table below presents information about the changes in the beneficial interest in assets held by the Klamath Community Foundation for the years ended June 30, 2020 and 2019, which is measured at the fair value of the Organizations interest in the amount that has been advanced to the Klamath Community Foundation. The Klamath Community Foundation reports this value to the Organization on a quarterly basis.

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 22,296	\$ 18,919
Contributions received	-	3,000
Interest & dividends received	261	554
Investment expense & fees	(198)	(177)
Endowment net assets, end of year	<u>\$ 22,359</u>	<u>\$ 22,296</u>



**Klamath - Lake Counties Food Bank**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 8 – Subsequent Events**

The Organization has evaluated subsequent events through May 6, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

