

KLAMATH - LAKE COUNTIES FOOD BANK

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Klamath - Lake Counties Food Bank
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For the Years Ended June 30, 2022 and 2021

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**Klamath - Lake Counties Food Bank
Board of Directors
For the Year Ended June 30, 2022**

<u>Director</u>	<u>Term Expires</u>
John Pellissier / President 9233 Old Fort Rd. Klamath Falls, OR 97601	July 2023
Rob Siems / Vice President 4527 El Cerrito Way Klamath Falls, OR 97603	July 2023
Chris Stone / Secretary 6512 Sarah Circle Klamath Falls, OR 97603	July 2025
Diana Boyd 2340 Watson St. Klamath Falls, OR 97603	July 2024
Jenny Coelho 14124 W. Langell Valley Rd. Bonanza, OR 97623	July 2025
Dan Gellner 735 Commercial St., #5000 Klamath Falls, OR 97601	July 2023
John Stacy 3815 S. 6th St. Klamath Falls, OR 97603	July 2025
Shirley Voight 17217 S. Poe Valley Rd Klamath Falls, OR 97603	Sept 2022
Michelle Scott 31494 High St. Bonanza, OR 97623	July 2025



Independent Auditor's Report

Board of Directors
Klamath - Lake Counties Food Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Klamath - Lake Counties Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Klamath - Lake Counties 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 Klamath - Lake Counties Food Bank's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 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, 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.

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 ☞

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- 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 Klamath - Lake Counties 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 Klamath - Lake Counties 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.

Molatore, Scroggin, Peterson & Co LLP

Certified Public Accountants
Klamath Falls, OR
December 30, 2022

Klamath - Lake Counties Food Bank
Statements of Financial Position
June 30, 2022 and 2021

	Assets	
	2022	2021
Current Assets		
Cash and cash equivalents	\$ 900,871	\$ 922,384
Grocery store gift cards	15,713	3,970
Unconditional promises to give, net	89,399	2,262
Inventory	108,110	93,365
Prepaid expenses	22,338	19,886
	1,136,431	1,041,867
Property and Equipment		
Building and improvements	593,138	531,363
Office equipment	51,751	51,751
Equipment	338,025	311,391
Less accumulated depreciation	(535,775)	(484,892)
	447,139	409,613
Other Assets		
Beneficial interest in assets held by the Klamath Community Foundation	29,334	30,136
	29,334	30,136
Total Assets	\$ 1,612,904	\$ 1,481,616
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 38,831	\$ 64,498
Accrued liabilities	44,310	36,182
	83,141	100,680
Total Current Liabilities	83,141	100,680
Net Assets		
Unrestricted	1,435,303	1,351,731
Restricted	94,460	29,205
	1,529,763	1,380,936
Total Net Assets	1,529,763	1,380,936
Total Liabilities and Net Assets	\$ 1,612,904	\$ 1,481,616

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, 2022

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenue and Other Support			
Share contributions	\$ 1,512,647	\$ -	\$ 1,512,647
Donations - cash	493,391	4,005	497,396
Allocations by United Way	28,255	-	28,255
Initiatives	29,321	-	29,321
FEMA	137,648	1,000	138,648
Grants	14,052	82,348	96,400
In-kind income - food donations	1,610,071	-	1,610,071
In-kind income - services	10,889	-	10,889
Oregon Hunger Response Fund	100,000	-	100,000
USDA Reimbursements	50,030	-	50,030
Interest income	250	-	250
Gain (Loss) on disposal of equipment	81	-	81
Change in beneficial interest	(2,802)	-	(2,802)
Miscellaneous income	1,554	-	1,554
Net assets released from restrictions	22,098	(22,098)	-
Total Revenue and Other Support	<u>4,007,485</u>	<u>65,255</u>	<u>4,072,740</u>
Expenses			
Program services			
Food distribution	3,746,801	-	3,746,801
Supporting services			
Management and general	83,674	-	83,674
Fund-raising	93,438	-	93,438
Total Expenses	<u>3,923,913</u>	<u>-</u>	<u>3,923,913</u>
Increase (decrease) in net assets	<u>83,572</u>	<u>65,255</u>	<u>148,827</u>
Net Assets, Beginning	<u>1,351,731</u>	<u>29,205</u>	<u>1,380,936</u>
Net Assets, Ending	<u>\$ 1,435,303</u>	<u>\$ 94,460</u>	<u>\$ 1,529,763</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, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenue and Other Support			
Share contributions	\$ 265,397	\$ -	\$ 265,397
Donations - cash	686,528	3,000	689,528
Allocations by United Way	27,867	-	27,867
Food drives	995	-	995
Initiatives	30,512	-	30,512
FEMA	-	12,831	12,831
Grants	7,808	71,646	79,454
In-kind income - food donations	2,439,683	-	2,439,683
In-kind income - services	20,000	-	20,000
Oregon Hunger Response Fund	96,267	-	96,267
USDA Reimbursements	5,457	-	5,457
Interest income	250	-	250
Gain (Loss) on disposal of equipment	(492)	-	(492)
Change in beneficial interest	3,777	-	3,777
Miscellaneous income	1,179	-	1,179
Net assets released from restrictions	153,827	(153,827)	-
Total Revenue and Other Support	<u>3,739,055</u>	<u>(66,350)</u>	<u>3,672,705</u>
Expenses			
Program services			
Food distribution	3,331,636	-	3,331,636
Supporting services			
Management and general	83,462	-	83,462
Fund-raising	90,414	-	90,414
Total Expenses	<u>3,505,512</u>	<u>-</u>	<u>3,505,512</u>
Increase (decrease) in net assets	233,543	(66,350)	167,193
Net Assets, Beginning	1,118,188	95,555	1,213,743
Net Assets, Ending	<u>\$ 1,351,731</u>	<u>\$ 29,205</u>	<u>\$ 1,380,936</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, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 225,639	\$ 33,793	\$ 40,420	\$ 299,852
Payroll taxes	22,275	3,336	3,990	29,601
Employee benefits	14,536	2,177	2,604	19,317
Total Salaries and Related Payroll Expenses	262,450	39,306	47,014	348,770
Accounting	-	29,991	-	29,991
Advertising	-	-	39,824	39,824
Awards	-	-	1,326	1,326
Agency accounts paid	1,512,645	-	-	1,512,645
Fees	-	4,085	-	4,085
Food purchases	142,081	-	-	142,081
Fuel	6,636	-	-	6,636
In-kind food	1,595,325	-	-	1,595,325
Insurance	12,134	4,890	1,087	18,111
Meals	2,379	944	175	3,498
Miscellaneous	50,870	-	-	50,870
Occupancy	27,083	558	279	27,920
Postage	36	36	655	727
Repairs	59,587	1,862	621	62,070
Supplies	17,256	277	923	18,456
Telephone	5,332	352	176	5,860
Travel	850	355	340	1,545
Wishes Come True	3,288	-	-	3,288
Total Expenses Before Depreciation	3,697,952	82,656	92,420	3,873,028
Depreciation	48,849	1,018	1,018	50,885
Total Expenses	\$ 3,746,801	\$ 83,674	\$ 93,438	\$ 3,923,913

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, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 216,585	\$ 32,437	\$ 38,799	\$ 287,821
Payroll taxes	22,508	3,371	4,032	29,911
Employee benefits	17,021	2,549	3,049	22,619
Total Salaries and Related Payroll Expenses	256,114	38,357	45,880	340,351
Accounting	-	30,111	-	30,111
Advertising	-	-	36,942	36,942
Awards	-	-	2,667	2,667
Agency accounts paid	186,517	-	-	186,517
Fees	-	4,777	-	4,777
Food purchases	154,424	-	-	154,424
Fuel	4,530	-	-	4,530
In-kind food	2,539,701	-	-	2,539,701
Insurance	10,950	4,413	981	16,344
Meals	2,570	1,021	189	3,780
Miscellaneous	27,974	-	-	27,974
Occupancy	16,505	340	170	17,015
Outside labor	467	-	-	467
Postage	38	38	689	765
Repairs	80,045	2,501	834	83,380
Supplies	9,744	156	521	10,421
Telephone	5,352	353	176	5,881
Travel	1,626	680	650	2,956
Wishes Come True	775	-	-	775
Total Expenses Before Depreciation	3,297,332	82,747	89,699	3,469,778
Depreciation	34,304	715	715	35,734
Total Expenses	<u>\$ 3,331,636</u>	<u>\$ 83,462</u>	<u>\$ 90,414</u>	<u>\$ 3,505,512</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 148,827	\$ 167,193
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	50,885	35,734
Loss (gain) on disposal of equipment	-	492
Decrease (increase) in operating assets		
Grocery store gift cards	(11,744)	(1,150)
Receivables	(87,137)	76,085
Inventory	(14,746)	100,018
Prepaid expenses	(2,452)	(2,327)
Net change in beneficial interest in assets held by the Klamath Community Foundation	802	(3,777)
Increase (decrease) in liabilities		
Accounts payable	(25,667)	(3,485)
Accrued liabilities	8,128	(7,257)
	<u>66,896</u>	<u>361,526</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(88,409)	(74,661)
Proceeds from sale of fixed assets	-	2,000
	<u>(88,409)</u>	<u>(72,661)</u>
Net Increase (Decrease) in Cash	(21,513)	288,865
Cash - Beginning of Year	<u>922,384</u>	<u>633,519</u>
Cash - End of Year	<u>\$ 900,871</u>	<u>\$ 922,384</u>

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

Klamath - Lake Counties Food Bank
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

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

Restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, net assets are reclassified from net assets with restrictions to net assets without 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, conditional and 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, 2022 and \$1.25 per pound at June 30, 2021. 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, 2022 and 2021.

Klamath - Lake Counties Food Bank
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

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

Accounts Receivable

Management believes that all share fees, grants and contributions receivable as of June 30, 2022 and 2021 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, 2022 and 2021 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 \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	<u>Years</u>
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
For the Years Ended June 30, 2022 and 2021

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

Contributed Services

During the years ended June 30, 2022 and 2021, 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 2,295 hours directly in 2022 and 1,063 hours directly in 2021. The LMAs received 12,498 hours directly in 2022 and 24,960 hours directly in 2021.

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 based on management estimation of employee time.

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 2022 or 2021. 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, 2019 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, 2022 was \$39,824 and for the year ended June 30, 2021 was \$36,942.

Note 2 – Promises to Give

Unconditional promises to give consist of the following at June 30, 2022 and 2021:

	2022	2021
United Way	\$ -	\$ 2,262
USDA TEFAP	11,113	-
FEMA - Emergency Food Shelter Program	1,000	-
Oregon Food Bank - OHRF/GFFP	24,829	-
Oregon Food Bank - State of Oregon	52,457	-
	\$ 89,399	\$ 2,262

There were conditional promises to give of \$0 at June 30, 2022 and June 30, 2021.

Klamath - Lake Counties Food Bank
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 – Net Assets with Donor Restrictions

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

	2022	2021
Endowment Funds - for investment to generate future earnings	\$ 375	\$ 375
FEMA Funds - for the purchase of food	1,000	-
Fire Funds - to assist victims that were affected by wildfires	24,476	8,624
Oregon Hunger Relief Fund – for program which include salaries of support personnel etc.	24,829	-
Private Donation - for food purchases with Gift Cards	15,713	3,969
TEFAP Funds – for the purchase of food and to assist Agencies with the delivery cost of items	11,113	-
Wishes Come True Donation - for the purchase of items or services for the Wishes Come True events	16,954	16,237
	\$ 94,460	\$ 29,205

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 58% of its food donations in 2022 and 70% in 2021 from the OFB with an estimated fair value totaling \$938,679, and \$1,702,926, respectively.

Also, the Organization received approximately 25% of its cash donations in 2022 and 11% in 2021 from the OFB with amounts of \$212,479 and \$115,567, 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, 2022 and 2021. This included computer services from an entity associated with one board member totaling \$40,267 and \$43,445 during the years ended June 30, 2022 and 2021, respectively. Additionally, the Organization receives advertising services from a business associated with a second board member totaling \$8,868 and \$4,504 for the years ended June 30, 2022 and 2021, 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
For the Years Ended June 30, 2022 and 2021

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.

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

Changes in endowment net assets as of June 30, 2022 and 2021 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2020	\$ 25,984	\$ 375	\$ 26,359
Contributions received	-	-	-
Change in value of beneficial interest	<u>3,777</u>	<u>-</u>	<u>3,777</u>
Endowment net assets, June 30, 2021	\$ 29,761	\$ 375	\$ 30,136
Contributions received	2,000	-	2,000
Change in value of beneficial interest	<u>(2,802)</u>	<u>-</u>	<u>(2,802)</u>
Endowment net assets, June 30, 2022	<u>\$ 28,959</u>	<u>\$ 375</u>	<u>\$ 29,334</u>

Note 7 – Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</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	\$ 29,334	\$ 30,136

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, 2022 and 2021, which is measured at the fair value of the Organization's 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>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 30,136	\$ 26,359
Contributions received	2,000	-
Interest & dividends received	432	451
Investment expense & fees	(396)	(698)
Unrealized gain (loss) on investment	<u>(2,838)</u>	<u>4,024</u>
Endowment net assets, end of year	<u>\$ 29,334</u>	<u>\$ 30,136</u>

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Note 8 – Liquidity and Availability of Financial Assets

Klamath - Lake Counties Food Bank's financial assets as of June 30, 2022 and 2021, and those available within one year to meet cash needs for operating expenses within one year, are summarized as follows:

<u>Financial Assets at Year End:</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 900,871	\$ 922,384
Unconditional promises to give, net	89,399	2,262
Total financial assets	<u>\$ 990,270</u>	<u>\$ 924,646</u>

Note 9 – Subsequent Events

The Organization has evaluated subsequent events through December 30, 2022, 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.