JOSEPHINE COUNTY FOOD BANK INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

WITH INDEPENDENT AUDITOR'S REPORT

JOSEPHINE COUNTY FOOD BANK INC.
Financial Statements
For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Josephine County Food Bank Inc.
Grants Pass, OR 97526

Opinion

I have audited the accompanying financial statements of Josephine County Food Bank Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, statement of functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Josephine County Food Bank Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Josephine County Food Bank Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Josephine County Food Bank Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted 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, including omissions, 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 generally accepted auditing standards, I:

- 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 Josephine County Food Bank Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Josephine County Food Bank Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Summarized Comparative Information

I previously audited Josephine County Food Bank Inc.'s June 30, 2022, financial statements, and I expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2023. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

_____
Richard W. Brewster
Certified Public Accountant

December 4, 2023

FINANCIAL STATEMENTS

JOSEPHINE COUNTY FOOD BANK INC.
Statement of Financial Position
June 30, 2023
With Summarized Comparative Totals as of June 30, 2022

	2023	(Memorandum only) 2022
ASSETS		
Cash and cash equivalents	$ 591,545	$ 657,087
Restricted cash and cash equivalents	63,751	26,500
Accounts receivable	88,267	-
Prepaid expense	23,314	14,139
Food inventory	17,348	53,495
Food inventory receivable	9,635	3,398
Right of use leased assets	12,183	
Total current assets	806,043	754,619
Property and equipment		
Buildings and improvements	1,122,470	1,119,532
Equipment and furnishings	101,390	101,390
Vehicles	186,425	72,396
Accumulated depreciation	(354,949)	(286,091)
Net property and equipment	1,055,336	1,007,227
Other assets		
Right of use leased assets	253,475	
Marketable securities	538,964	495,164
Investments	305,967	
Interest in assets held by Oregon Community Foundation	64,808	61,238
Total other assets	1,163,214	556,402
TOTAL ASSETS	$ 3,024,593	$ 2,318,248
LIABILITIES		
Current liabilities		
Accounts payable	$ 10,923	$ 4,587
Payroll and taxes payable	7,887	5,319
PTO liability	11,777	9,323
Right of use liability	12,183	
Deferred revenue	138,751	25,000
Total current liabilities	181,521	44,229
Other liabilities		
Right of use leased liability	253,475	
TOTAL LIABILITIES	434,996	44,229
NET ASSETS		
Without donor restrictions	1,508,597	1,193,019
With donor restrictions	1,081,000	1,081,000
Total net assets	2,589,597	2,274,019
TOTAL LIABILITIES AND NET ASSETS	$ 3,024,593	$ 2,318,248

See notes to financial statements.

JOSEPHINE COUNTY FOOD BANK INC.
Statement of Activities
For the Year Ended June 30, 2023
With Summarized Comparative Totals as of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	(Memorandum only) 2022 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Grants	$ -	$ 316,672	$ 316,672	$ 17,000
Agency fees - program service	412,417		412,417	179,851
Donations - general	396,825	10,610	407,435	490,829
Donations - in-kind food		71,384	71,384	48,703
Special events	81,648		81,648	60,177
Dividend and Interest income	30,374		30,374	12,266
Realized gain/(loss)	3,967		3,967	(5,938)
Net unrealized gain/(loss)	21,839		21,839	(62,481)
Miscellaneous income	832		832	614
	947,902	398,666	1,346,568	741,021
Net assets released from restrictions				
Satisfaction of program restrictions	398,666	(398,666)		
Total public support, revenues and other support	1,346,568	-	1,346,568	741,021
EXPENSES				
Program services	868,621		868,621	605,204
Support services:				
Management and general	97,874		97,874	85,550
Fundraising	64,495		64,495	47,389
TOTAL EXPENSES	1,030,990	-	1,030,990	738,143
CHANGE IN NET ASSETS	315,578	-	315,578	2,878
NET ASSETS BEGINNING OF YEAR	1,193,019	1,081,000	2,274,019	2,271,141
NET ASSETS END OF YEAR	$ 1,508,597	$ 1,081,000	$ 2,589,597	$ 2,274,019

See notes to financial statements.

JOSEPHINE COUNTY FOOD BANK INC.
Statement of Functional Expense
For the Year Ended June 30, 2023
With Summarized Comparative Totals as of June 30, 2022

	Program Services	Management And General	Fund Raising	2023 Total	(Memorandum only 2022 Total
Employee Compensation					
Salaries	$ 275,602	$ 46,530	$ 35,793	$ 357,925	$ 311,016
Employee benefits	57,220	9,661	7,431	74,312	53,712
Payroll taxes	26,148	4,415	3,396	33,959	33,804
Total employee compensation	358,970	60,606	46,620	466,196	398,532
Other Expenses					
Advertising	33,147	8,159	9,689	50,995	34,669
Facilities and equipment	12,626	2,421	2,248	17,295	9,372
Rent, utilities, and occupancy	46,704	11,676		58,380	44,215
Food purchase	219,423			219,423	79,248
Office and business	20,034	5,009		25,043	21,288
Other expense	343	86		429	142
Outreach and events	3,695	924		4,619	10,345
Professional fees	39,463			39,463	17,450
Supplies - garden and warehouse	11,996	2,999		14,995	22,755
Vehicles	19,366	4,842		24,208	20,600
Volunteer support	3,168		392	3,560	1,941
Grant Support				-	13,100
Educational expense	26,222			26,222	-
Fundraising event expense			5,546	5,546	
Insurance	4,606	1,152		5,758	4,686
Total other expenses	440,793	37,268	17,875	495,936	279,811
Total expenses before depreciation	799,763	97,874	64,495	962,132	678,343
Depreciation	68,858		-	68,858	59,800
TOTAL FUNCTIONAL EXPENSES	$ 868,621	$ 97,874	$ 64,495	$ 1,030,990	$ 738,143
Percentage of total	84.3%	9.5%	6.3%	100.0%	100.0%

See notes to financial statements.

JOSEPHINE COUNTY FOOD BANK INC.
Statement of Cash Flows
For the Year Ended June 30, 2023
With Summarized Comparative Totals as of June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 315,578	$ 2,878
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	68,858	59,800
Changes in		
Grants and accounts receivable	(97,442)	48,720
Prepaid expenses	36,147	(4,530)
Food Inventory	(6,237)	(1,799)
Accounts payable	6,336	(3,355)
Accrued payroll and payroll taxes	5,022	1,962
Deferred revenue	113,751	25,000
Net cash from (used in) operating activities	442,013	128,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(116,967)	(27,449)
Cash used to purchase securities	(349,767)	(143,557)
Endowment fund	(3,570)	3,609
Net cash from (used in) investing activities	(470,304)	(167,397)
Net change in cash, cash equivalents, and restricted cash	(28,291)	(38,721)
Cash, cash equivalents, and restricted cash - beginning of year	683,587	722,308
Cash, cash equivalents, and restricted cash - end of year	$ 655,296	$ 683,587
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ -	$ -
Income tax paid	$ -	$ -

There were no material noncash investing and financing activities.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Josephine County Food Bank Inc. was incorporated in the State of Oregon in 2015 to operate as a charitable nonprofit organization dedicated to the management of the Josephine County food bank. The mission of the Organization is to collect food and distribute it to both individuals and other organizations in the community.

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP") and accordingly, reflect all significant receivables, payables, and other liabilities, and recognizes revenues when earned and expenses when incurred. US GAAP requires the Council to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

Measure of operations – the statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Josephine County Food Bank's programmatic engagements. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

COMPARATIVE FINANCIAL INFORMATION

The accompanying financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

We consider all cash and highly liquid financial investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

CONCENTRATIONS OF CREDIT RISK

The Josephine County Food Bank maintains cash balances at multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. On June 30, 2023, $43,554, the Josephine County Food Bank's cash balances were considered uninsured.

ACCOUNTS RECEIVABLE AND GRANTS RECEIVABLE

Accounts receivable mostly consist of payments from partner agencies for food. Management believes that all receivables are fully collectible as of June 30, 2023.

FURNITURE, FIXTURES AND EQUIPMENT

The Organization capitalizes the cost of acquisitions of buildings, vehicles, and equipment over $1,000. Buildings, vehicles, and equipment are depreciated when placed in service using the straight-line method over estimated useful lives of five to thirty-nine years. Leasehold improvements are depreciated using the straight-line method over the shorter of the estimated useful life or the lease term. Fixed assets are valued at cost if purchased or fair market value if contributed. Depreciation expense for the year ended June 30, 2023, totaled $ 56,988.

INVENTORY

Inventories consisting of primarily donated perishable and nonperishable food are reported at the lower of cost or estimated fair market value on a first-in-first-out basis. Donated inventories are recorded as revenue at their commodity values using the industry standard rates published by the Oregon Food Bank. The Oregon Food Bank utilizes the US Department of Agriculture (USDA) commodities stated values as published.

INVESTMENTS

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses less external and direct internal investment expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENDOWMENT FUND

Donations to the Endowment Fund are permanently held assets. Endowment Fund investment goals are long-term growth and preservation of purchasing power by achieving returns in excess of the rate of inflation while minimizing risk. Earnings from endowment fund investments are intended to be used by the Organization to more completely fulfill its mission, developing its programs beyond what is possible through its annual operating funds.

ACCRUED PAID TIME OFF

For the year ended June 30, 2023, the Organization has accrued a liability for paid time off (PTO) for all full-time employees and for part time employees working 20 hours or more per week. Up to 50% of unused PTO may be accumulated and carried into the next fiscal year. At June 30, 2023 and 2022, the Organization had a liability for paid time off of $11,777 and $9,323 respectively.

REVENUE RECOGNITION

Revenue consists primarily of contributions from the general public of both cash and commodities (food), agency fees for food provided to other similar local organizations, and grants. In addition, the Organization records special event revenue equal to the fair value of direct benefits to donors and contribution revenue for the difference.

CONTRIBUTIONS AND IN-KIND DONATIONS

Donations of assets are recorded as support at their estimated fair market value at the date of donation. Contributions and public support received by the Organization are recorded as unrestricted or restricted revenue or support, depending on the existence or nature of any restrictions. Contributions with restrictions are reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the grant is recognized. Other restricted contributions are reported as an increase in restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified as increases to unrestricted net assets.

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets, or if the provided services require specialized skills that would otherwise be purchased by the Organization. Volunteers also provided various services throughout the year that did not meet recognition criteria under generally accepted accounting principles.

Donated commodities are recorded as a temporarily restricted contribution at the commodity value using the industry standard rate published by the Oregon Food Bank which is ultimately derived from the Feeding America guide to determine an average rate that reflects the specific inventory held by the Food Bank. These temporarily restricted contributions are released from restrictions when distributed. Food received from the Oregon Food Bank and passed through to local agencies are treated as agency transactions and are not recorded as contribution revenue. These amounts are valued at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADVERTISING

Advertising costs are expensed as incurred. The Organization's advertising costs for the year ended June 30, 2023, and 2022 were $50,995 and $34,669 respectively.

LEASES

The Organization is a lessee in multiple noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and impairment recognized.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or leases for both existing and ongoing operating leases to not recognize the asset and the liability for these leases. Lease payments for short-term lease are recognized on straight-line basis.

PROMISES TO GIVE

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period The Josephine County Food Bank is notified of the commitment. Conditional promises to give are not recognized until they become unconditional that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time The Josephine County Food Bank has an established right to the bequest and the proceeds are measurable.

INCOME TAXES

The Josephine County Food Bank is organized as an Oregon nonprofit corporation exempt from income tax under Section 501(c)(3), of the Internal Revenue Code and comparable state law. The Organization is annually required to file a Return of Organization Exempt form Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis In the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are based upon use of facility square footage or completed payroll time studies. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification which include wages and payroll taxes. All other expenses that are common to several functions are allocated based on time and effort.

RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2020, the FASB issued ASU 2020-7, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Nonfinancial assets include land, buildings, and equipment as well as the use of land, buildings, equipment, utilities, supplies, and services. The guidance requires that contributed nonfinancial assets be reported in the statement of activities apart from contributions of cash and other financial assets. Disclosures are required for the disaggregation of the amount of contributed nonfinancial assts recognized in the statement of activities by category and type, qualitative information about whether the contributed nonfinancial assets were monetized or utilized, a description of the program(s) if utilized, policies surrounding the monetization and utilization, donor imposed restrictions, valuation techniques and inputs to arrive at fair value, and information about the principal market used to determine fair value. This guidance, which must be applied retrospectively, is effective for the Organization in the year ending December 31, 2022. The application and adoption of this pronouncement had no financial impact retrospectively.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization manages daily liquidity and cash requirements using internal cash checking accounts and an investment account with a brokerage firm. Resources available to fund general expenditures within one year at June 30, 2023 are as follows:

Cash and cash equivalents	$ 591,545
Marketable securities	538,964
Investments	305,967
Accounts Receivable	88,267
Total financial assets available to meet expenditures within the next 12 months	$ 1,524,743

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The amounts presented above, have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing purposes.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from contributors, grants, and additional food banks within the community.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Investments in marketable securities consist of equity investments.

The Organization has adopted ASC 820-10 which establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs.

Level 3: Significant unobservable inputs.

4. FAIR VALUE MEASUREMENTS

The interest in assets held by the OR Community Foundation at the fair value of the Organization's share of the OR Community Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair value of investments of the Foundation includes investments where the prices are not readily available (Level 3).

The following table provides further details on the fair value of measurements as of June 30, 2023:

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities	$ 538,964	$ -	$ -	$ 538,964
Certificate of deposit	407,359			407,359
Beneficial interest in OCF			64,808	64,808
Total investments at fair value	$ 946,323	$ -	$ 64,808	$ 1,011,131

5. PROPERTY AND EQUIPMENT

A summary of property, furniture and equipment at June 30, 2023 is as follows:

	7/1/2022	Additions	Deletions	6/30/2023
Buildings and improvements	$ 1,119,532	$ 2,938	$ -	$ 1,122,470
Furniture and equipment	101,390	-		101,390
Vehicles	72,396	114,029		186,425
Sub-total	1,293,318	116,967	-	1,410,285
Accumulated depreciation	(286,091)	(68,858)		(354,949)
Net property and equipment	$ 1,007,227	$ 48,109	$ -	$ 1,055,336

Property and equipment are depreciated using the straight-line method over estimated useful lives of five to forty years. Depreciation expense for the year ended June 30, 2023, was $68,858.

6. ENDOWMENT FUND

The Organization's endowment contains one fund established to invest in the future ongoing support of the Organization. Its endowment contains Board designated funds. As required by current accounting standards, net assets associated with endowment funds, including funds designated by the Endowment Board of Trustees to function as endowments (Trustee Designated Endowment), are classified and reported based on the existence or absence of donor-imposed restrictions. All temporarily donor restricted endowment net assets of the endowment fund are subject to a time restriction under provision of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which has been enacted by the State of Oregon.

This Organization maintains the following endowment:

Quasi-Endowment

The Organization established a quasi-endowment fund with the Oregon Community Foundation to invest in the future ongoing support of the Organization. Since quasi endowments are established by the Organization rather than by an external source, the principal may be expended as stipulated by the Board.

SPENDING POLICY

Periodic distributions from Endowment Funds are made at the approximate spending rate of 3% to 5% annually. The spending rate is based on the assumption of long-term investment returns greater than 5%. The Trustees may choose to not appropriate spendable funds depending on the needs of the Organization. Amounts not appropriated are reinvested and identified as temporarily restricted. Expenditures are approved by the Board of Trustees in consultation with management of the Organization.

The earnings on the endowment, when appropriated for expenditure, are expended in accordance with any donor stipulations for use of the endowment earnings. The Board of Trustees expects to appropriate money annually for the purpose of reaching low-income households in need of food.

INTERPRETATION OF RELEVANT LAW

The Board of Trustees of the Endowment Fund has interpreted the Oregon enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the permanent preservation of the historic dollar value of gifts to the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts to the endowment as permanently restricted net assets.

6. ENDOWMENT FUND (Continued)

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted until the amounts are appropriated for expenditure 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 increases in value of donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. The general economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. The other resources of the Organization
7. The investment policies of the Organization

RETURN OBJECTIVES AND RISK PARAMETERS

The investment policy for the endowment is to preserve the value of the assets with potential for both capital appreciation and current income. To preserve the value of the assets the endowments will not pay out more on average than the average return earned on the investment portfolio. When investing in capital markets, the Organization recognizes and acknowledges that some risk is assumed in order to achieve long-term investment objectives, and there are uncertainties and complexities associated with these markets. The use of a dynamic asset allocation strategy is intended to mitigate and balance the risk. The allocation is based upon an investment horizon of greater than 10 years (or in perpetuity) and interim fluctuations should be viewed with appropriate perspective.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

The Organization believes that long-term investment performance, in large part, is primarily a function of asset class mix. Diversification within the full spectrum of traditional sectors of domestic and foreign equity and fixed income markets, as well as other assets. The Organization believes this balance provides the stability to preserve the principal value and the opportunity for real long-term capital growth without excessive risk.

FUNDS WITH DEFICIENCIES

It is possible that the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donors or UPMIFA requires the Organization to retain as a fund of perpetual duration. There are no deficiencies in the endowment as of June 30, 2023.

CHANGES IN ENDOWMENT NET ASSETS AS OF JUNE 30,2023

The following table further details the changes in the endowment fund for the fiscal year ending June 30, 2023:

	Oregon Community Foundation
Beginning balance	$ 61,238
Interest income	404
Investment fees	(582)
Unrealized gain/(loss)	3,967
Realized gain/(loss)	(219)
Total investments at fair value	$ 64,808

ENDOWMENT NET ASSET COMPOSITION BY DONOR RESTRICTION AS OF JUNE 30,2023

	Without donor restriction	With donor restriction	Total Endowment Funds
Endowment net assets, beginning of year	$ 31,238	$ 30,000	$ 61,238
Investment return			
Investment income	404		404
Net market gain/(loss)	3,748		3,748
Investment fees	(582)		(582)
Investment return released from restriction	-	-	-
Endowment net assets, end of year	$ 34,808	$ 30,000	$ 64,808

7. DEFERRED REVENUE FOR PERFORMANCE OBLIGATIONS

The Organization received grant revenue for specific programs and fundraising events. These upfront payments are recorded as deferred revenue until it fulfills its performance obligation. The total deferred revenue as of June 30, 2023, is $138,751 from grant revenues for the purpose to aid in the expansion of the work completed by Organization. These funds are to be spent by June 30, 2023.

8. LEASES

The Organization entered into a lease agreement with the City of Grants Pass to lease the land holding their farm, food distribution center and office. The term of the lease runs through July 2041. Under the terms of the agreement, the Organization made annual payments based on acreage totaling $1,414, farmhouse rental $5,307 ($442.25 per month) and $2,853 ($237.76 per month) through 2023. Lease agreement is based on the fiscal year with total lease payments totaling $9,574.

The Organization also has an operating lease agreement for its office copier. This agreement requires monthly payments of $193.72 through July of 2025.

		6/30/2023
Right of use assets obtained in exchange for operating lease liabilities	$	265,658
Financing lease cost		
Interest expense	$	10,487
Amortization of right-of-use assets		265,658
Total cash flow of operating leases	$	276,145
Present value of future principal lease payments		
Fiscal year ended June 30,		
2024	$	12,183
2025		12,550
2026		10,794
2027		10,981
2028		11,373
2029-2033		63,178
2034-2038		74,931
2039-2042		69,668
Total present value of future principal lease payments	$	265,658

9. RESTRICTED NET ASSETS

At June 30, 2023, the Organization had net restricted assets in the form of real property located at 3658 Upper River Road restricted for use as a food bank distribution facility with an asset value of $1,049,500. This amount represents leasehold improvements made to the distribution center. The Organization has a long-term lease on this property scheduled to run through the year ending 2041.

In addition, the Organization has $30,000 held in perpetuity based on donor restrictions. These funds are held in the Oregon Community Foundation Endowment Fund.

10. FUNDRAISING EVENTS

The net earnings on fund-raising events consisted of the following for the fiscal year ended June 30, 2023:

	Fundraising Revenue	Direct Benefit to Donor	Fundraising Event Expense	Net
Event				
Shining Light on Hunger	$ 74,815	$ 1,873	$ 3,673	$ 69,269
Other miscellaneous events	6,833			6,833
Net event income	$ 81,648	$ 1,873	$ 3,673	$ 76,102

11. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which commercial insurance is carried. There has been no significant reduction in insurance coverage from the prior year and the Organization has not been required to pay any settlements, in excess of insurance coverage, during the year ended June 30, 2023.

In the normal course of operations, The Organization receives grant funds from various agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. Additionally, the Organization maintains a significant amount of funds with Charles Schwab to reduce the amount of funds exceeding the standard FDIC insurance.

13. RELATED PARTY TRANSACTIONS

The Organization utilizes one of its Board members for grant writing and fundraising. She is paid $2,000 per month as an independent contractor for her services. She abstains from any voting or decisions involving her work or contract amount.

14. SUBSEQUENT EVENTS

Management of The Josephine County Food Bank has evaluated events and transactions occurring after June 30, 2023, through December 4, 2023, which is the date of the audit report. The audit report was available to be issued on January 16, 2023.