



Financial Statements

June 30, 2017 and 2016



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

FEED MORE, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Feed More, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Feed More, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Feed More, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



September 15, 2017
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 3,025,833	\$ 5,222,049
Certificates of deposit	3,012,714	1,001,243
Accounts receivable, net	159,733	132,902
Grants and contributions receivable, net	2,228,486	774,978
Prepaid expenses	136,567	270,758
Inventory	2,268,370	2,494,320
Property and equipment, net	10,897,519	10,350,628
Endowment investments	4,190,718	3,599,475
Other assets	<u>22,609</u>	<u>14,565</u>
	<u>\$ 25,942,549</u>	<u>\$ 23,860,918</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 506,285	\$ 367,396
Accrued expenses	585,874	535,568
Deferred revenue	<u>78,839</u>	<u>73,251</u>
Total liabilities	<u>1,170,998</u>	<u>976,215</u>
Net assets:		
Unrestricted net assets:		
Undesignated	18,218,562	18,632,952
Board designated	597,795	193,567
Temporarily restricted net assets	3,537,032	1,640,522
Permanently restricted net assets	<u>2,418,162</u>	<u>2,417,662</u>
Total net assets	<u>24,771,551</u>	<u>22,884,703</u>
	<u>\$ 25,942,549</u>	<u>\$ 23,860,918</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities
Year Ended June 30, 2017

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Revenues and other support:					
Program fees	\$ 1,371,674	\$ -	\$ -	\$ -	\$ 1,371,674
Government fees	3,426,566	-	-	-	3,426,566
Government grants	1,680	-	183,554	-	185,234
Membership fees	13,255	-	-	-	13,255
Board and individual donations	2,678,442	367,317	150,544	500	3,196,803
Direct mail contributions	1,435,351	-	-	-	1,435,351
Civic organization contributions	499,320	-	46,250	-	545,570
Foundation grants and contributions	1,684,289	-	2,074,491	-	3,758,780
Corporate and other contributions	1,225,770	-	168,842	-	1,394,612
Special events, net of \$81,784 of expenses	162,123	-	-	-	162,123
Miscellaneous income	2,942	-	-	-	2,942
Interest and dividends	29,301	7,037	74,711	-	111,049
Donated foods received	<u>44,988,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,988,409</u>
Total revenues and other support	<u>57,519,122</u>	<u>374,354</u>	<u>2,698,392</u>	<u>500</u>	<u>60,592,368</u>
Amounts released from restrictions	<u>1,077,174</u>	<u>-</u>	<u>(1,077,174)</u>	<u>-</u>	<u>-</u>
Expenses:					
Program services	56,770,343	-	-	-	56,770,343
Management and general	874,335	-	-	-	874,335
Fund-raising	<u>1,377,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,441</u>
Total expenses	<u>59,022,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,022,119</u>
Unrealized and realized gain on investments, net	-	29,874	275,292	-	305,166
Loss on sale of equipment	(3,567)	-	-	-	(3,567)
Rental income	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Change in net assets	(414,390)	404,228	1,896,510	500	1,886,848
Net assets, beginning of year	<u>18,632,952</u>	<u>193,567</u>	<u>1,640,522</u>	<u>2,417,662</u>	<u>22,884,703</u>
Net assets, end of year	<u>\$18,218,562</u>	<u>\$ 597,795</u>	<u>\$ 3,537,032</u>	<u>\$ 2,418,162</u>	<u>\$24,771,551</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Revenues and other support:					
Program fees	\$ 1,231,212	\$ -	\$ -	\$ -	\$ 1,231,212
Government fees	2,254,231	-	-	-	2,254,231
Government grants	13,512	-	197,716	-	211,228
Membership fees	25,095	-	-	-	25,095
Board and individual donations	2,753,859	193,567	3,816	20,500	2,971,742
Direct mail contributions	1,475,236	-	-	-	1,475,236
Civic organization contributions	563,115	-	44,750	-	607,865
Foundation grants and contributions	1,440,762	-	226,315	-	1,667,077
Corporate and other contributions	891,449	-	235,739	-	1,127,188
Special events, net of \$123,360 of expenses	124,189	-	-	-	124,189
Miscellaneous income	3,281	-	-	-	3,281
Interest and dividends	30,405	-	105,955	-	136,360
Donated foods received	<u>39,913,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,913,907</u>
Total revenues and other support	<u>50,720,253</u>	<u>193,567</u>	<u>814,291</u>	<u>20,500</u>	<u>51,748,611</u>
Reclassification of donor-restricted funds	-	-	(45,000)	45,000	-
Amounts released from restrictions	<u>1,098,555</u>	<u>-</u>	<u>(1,098,555)</u>	<u>-</u>	<u>-</u>
Total revenues, other support, and other changes	<u>51,818,808</u>	<u>193,567</u>	<u>(329,264)</u>	<u>65,500</u>	<u>51,748,611</u>
Expenses:					
Program services	48,799,300	-	-	-	48,799,300
Management and general	817,082	-	-	-	817,082
Fund-raising	<u>1,387,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,387,235</u>
Total expenses	<u>51,003,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,003,617</u>
Unrealized and realized loss on investments, net	-	-	(120,020)	-	(120,020)
Loss on sale of equipment	(16,766)	-	-	-	(16,766)
Rental income	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Change in net assets	809,675	193,567	(449,284)	65,500	619,458
Net assets, beginning of year	<u>17,823,277</u>	<u>-</u>	<u>2,089,806</u>	<u>2,352,162</u>	<u>22,265,245</u>
Net assets, end of year	<u>\$ 18,632,952</u>	<u>\$ 193,567</u>	<u>\$ 1,640,522</u>	<u>\$ 2,417,662</u>	<u>\$ 22,884,703</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 4,044,278	\$ 546,725	\$ 459,436	\$ 5,050,439
Payroll taxes	324,085	39,947	35,561	399,593
Employee benefits	812,425	121,957	98,467	1,032,849
Total salaries and benefits	<u>5,180,788</u>	<u>708,629</u>	<u>593,464</u>	<u>6,482,881</u>
Advertising	98,324	-	95,965	194,289
Agency grants	129,023	-	-	129,023
Bad debts	1,878	60	-	1,938
Bank fees	23,722	5,297	23,721	52,740
Computer expenses	129,444	14,887	37,700	182,031
Dues and subscriptions	29,786	5,590	8,570	43,946
Education	12,239	40	363	12,642
Food purchases	3,232,015	-	7	3,232,022
Freight	4,506	-	-	4,506
Gas and oil	105,120	-	-	105,120
Insurance	63,850	4,002	1,299	69,151
Mailing house services	-	-	353,990	353,990
Miscellaneous	38,697	13,300	8,604	60,601
Office supplies	19,941	4,691	1,081	25,713
Off-site storage	179,283	-	-	179,283
Pest control	4,868	47	167	5,082
Postage	21,862	4,237	6,726	32,825
Printing and publications	20,759	1,083	19,048	40,890
Professional fees	248,936	52,539	157,885	459,360
Rent - equipment	89,310	8,870	16	98,196
Repairs and maintenance	368,853	2,060	7,257	378,170
Security	7,899	113	397	8,409
Staff training	13,425	8,104	4,081	25,610
Supplies	344,958	4,323	16,220	365,501
Taxes and licenses	16,113	710	-	16,823
Telephone	42,356	613	1,684	44,653
Temporary labor	134,517	8,243	677	143,437
Trash disposal	26,199	-	-	26,199
Travel expense	79,549	5,555	9,056	94,160
Utilities	182,368	2,419	8,522	193,309
Total expenses before depreciation, donated foods distributed, and food destroyed	<u>10,850,588</u>	<u>855,412</u>	<u>1,356,500</u>	<u>13,062,500</u>
Depreciation	750,264	18,923	20,941	790,128
Donated foods distributed	42,989,755	-	-	42,989,755
Food destroyed	<u>2,179,736</u>	<u>-</u>	<u>-</u>	<u>2,179,736</u>
Total expenses	<u>\$ 56,770,343</u>	<u>\$ 874,335</u>	<u>\$ 1,377,441</u>	<u>\$ 59,022,119</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses Year Ended June 30, 2016

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,888,444	\$ 552,840	\$ 458,108	\$ 4,899,392
Payroll taxes	311,640	39,748	34,334	385,722
Employee benefits	813,222	79,423	68,208	960,853
Total salaries and benefits	<u>5,013,306</u>	<u>672,011</u>	<u>560,650</u>	<u>6,245,967</u>
Advertising	56,014	-	53,607	109,621
Agency grants	204,356	-	-	204,356
Bad debts	3,887	-	-	3,887
Bank fees	27,501	5,712	27,501	60,714
Computer expenses	117,341	11,524	33,941	162,806
Dues and subscriptions	16,054	3,571	3,242	22,867
Education	4,036	-	-	4,036
Food purchases	2,061,393	-	-	2,061,393
Freight	1,615	-	-	1,615
Gas and oil	102,991	-	-	102,991
Insurance	52,450	5,983	1,200	59,633
Mailing house services	-	-	526,197	526,197
Miscellaneous	52,846	2,656	10,335	65,837
Office supplies	20,827	3,909	799	25,535
Off-site storage	40,105	-	-	40,105
Pest control	5,948	69	243	6,260
Postage	29,627	4,718	11,448	45,793
Printing and publications	37,369	166	33,975	71,510
Professional fees	158,031	57,961	65,961	281,953
Rent - equipment	95,936	10,371	115	106,422
Repairs and maintenance	361,404	2,278	9,409	373,091
Security	6,039	52	185	6,276
Staff training	23,697	6,722	3,982	34,401
Supplies	248,997	1,787	5,558	256,342
Taxes and licenses	7,143	618	-	7,761
Telephone	39,311	502	1,561	41,374
Temporary labor	78,182	976	1,237	80,395
Trash disposal	25,189	-	-	25,189
Travel expense	88,564	4,921	7,648	101,133
Utilities	176,954	2,299	8,099	187,352
Total expenses before depreciation, donated foods distributed, and food destroyed	<u>9,157,113</u>	<u>798,806</u>	<u>1,366,893</u>	<u>11,322,812</u>
Depreciation	704,549	18,276	20,342	743,167
Donated foods distributed	35,732,771	-	-	35,732,771
Food destroyed	3,204,867	-	-	3,204,867
Total expenses	<u>\$ 48,799,300</u>	<u>\$ 817,082</u>	<u>\$ 1,387,235</u>	<u>\$ 51,003,617</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,886,848	\$ 619,458
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	790,128	743,167
Loss on sale of equipment	3,567	16,766
Unrealized and realized (gain) loss on investments, net	(305,166)	120,020
Decrease (increase) in donated in-kind inventory	181,081	(976,269)
Changes in operating assets and liabilities:		
Accounts receivable, net	(26,831)	(21,835)
Grants and contributions receivable, net	(1,453,508)	55,883
Prepaid expenses	134,191	(121,580)
Inventory	44,869	(27,998)
Other assets	(8,044)	(1,816)
Accounts payable	138,889	(270,729)
Accrued expenses	50,306	130,881
Deferred revenue	<u>5,589</u>	<u>6,078</u>
Net cash provided by operating activities	<u>1,441,919</u>	<u>272,026</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	-	7,566
Purchase of property and equipment	(1,340,587)	(804,975)
Proceeds from sale and maturities of investments	163,488	180,056
Purchases of investments and certificates of deposit	<u>(2,461,036)</u>	<u>(1,366,265)</u>
Net cash used in investing activities	<u>(3,638,135)</u>	<u>(1,983,618)</u>
Net decrease in cash and cash equivalents	(2,196,216)	(1,711,592)
Cash and cash equivalents, beginning of year	<u>5,222,049</u>	<u>6,933,641</u>
Cash and cash equivalents, end of year	<u>\$ 3,025,833</u>	<u>\$ 5,222,049</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Notes to Financial Statements

1. **Organization:**

Feed More, Inc. (the "Organization") is Central Virginia's core hunger relief agency. The Organization was established through a 2008 merger of Central Virginia Foodbank, Inc. ("Foodbank") and Meals on Wheels serving Central Virginia, Inc. ("Meals on Wheels") under the laws of the Commonwealth of Virginia. The Organization receives, redistributes, prepares, and delivers food to children, families, and seniors facing food insecurity living within the Organization's 34 city and county service area. The Organization is supported through contributions and grants in addition to programs and membership fees. In addition, the Organization operates a Community Kitchen, which prepares meals for various children, seniors, and family hunger relief programs.

2. **Summary of Significant Accounting Policies:**

Financial Statement Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash Equivalents: The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of Deposit: The certificates of deposit, which may mature in up to one year, are redeemable on demand and are subject to varying early withdrawal penalties based on simple interest calculations.

Accounts Receivable: Accounts receivable is reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. The allowance for doubtful accounts receivable was \$5,000 at June 30, 2017 and June 30, 2016.

Grants and Contributions Receivable: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statements of Activities as net assets released from restrictions.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Grants and Contributions Receivable, Continued: Grants and contributions receivable are reported net of an allowance for uncollectible grants and contributions based on management's estimate of the amount of grants and contributions receivable that will actually be collected. At June 30, 2017 and 2016, management determined the grants and contributions receivable were fully collectible and that no allowance was necessary.

Unconditional promises to give, which include grants and contributions receivable at their net present value in the year promised, are recognized as unrestricted, temporarily or permanently restricted support as appropriate. The effective interest rate for the present value discount on contributions receivable at June 30, 2017 was 1.22%, and for year ending June 30, 2016 there was no discount. Conditional promises are recognized as revenue when donor stipulations are substantially met. At June 30, 2017 and 2016, there were no conditional promises to give.

Property and Equipment: Property and equipment are stated at cost. All donated property and equipment are stated at fair market value at the date of gift. Depreciation is charged to expense over the estimated useful lives of the assets ranging from two to 40 years using the straight-line method. Expenditures for maintenance and repairs are expensed currently, while expenditures for major improvements are capitalized.

Inventory: The majority of the Organization's inventory consists of donated food. The inventory is recorded as an asset when received and is valued at estimated fair value based on average value per pound of food. The average value per pound of food was \$1.73 at June 30, 2017 and \$1.67 at June 30, 2016, and is based upon a study performed by Feeding America specifically for aiding food banks across the country in valuing their inventories. Feeding America determines the value by contracting with an external third party which conducts a survey on a sample of food banks across the country. The survey gathers information on the receipts of donated items by these food banks, which is used to calculate the average value per pound of food. These estimated fair values are used to determine the value of the products the Organization is providing to the community. Due to the nature of this inventory and the fact that it cannot be sold in the market, it will never be converted to cash during the normal business cycle. The value of donated in-kind inventory was \$2,036,297 as of June 30, 2017 and \$2,217,379 as of June 30, 2016.

The remainder of the inventory not received through in-kind donations is purchased. The purchased inventory is valued at the lower of cost or market on a first-in, first-out basis ("FIFO"). The Organization evaluates inventory levels and expected usage on a periodic basis and records valuation allowances as required. The value of purchased inventory was \$232,073 as of June 30, 2017 and \$276,941 as of June 30, 2016. As of June 30, 2017 and June 30, 2016, no valuation allowance was considered necessary.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Endowment Investments: The Organization's investments are reported at readily determinable fair value in the Statements of Financial Position based on the net asset value reported by the investment company holding such investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the accompanying Statements of Activities.

Deferred Revenue: Deferred revenue represents funds received for use in future periods and will be recognized as earned.

Income Taxes: The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: The Organization follows the Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes, which prescribes a minimum recognition threshold that a tax position is required to meet before being recognized in the Organization's financial statements.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2017 and 2016. The Organization is not currently under audit by any tax jurisdiction.

Net Assets: The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board designated within unrestricted net assets. Board designated net assets totaled \$597,795 at June 30, 2017 and \$193,567 at June 30, 2016. Total unrestricted net assets were \$18,816,357 at June 30, 2017 and \$18,826,519 at June 30, 2016.

Temporarily restricted net assets include funds whose use by the Organization has been limited by donors to a specific time period or purpose. At June 30, 2017, temporarily restricted net assets include cash and investments of \$1,539,450, grant and contributions receivables of \$1,936,062, and prepaid expenses of \$61,520. At June 30, 2016, temporarily restricted net assets include cash and investments of \$1,049,428, grants and contribution receivables of \$404,821, and prepaid expenses of \$186,273.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued:

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Time Restrictions	\$ 128,000	\$ 610,450	\$ (274,316)	\$ 464,134
Capital Improvements	-	1,484,700	(168,000)	1,316,700
Agency Support	-	220,000	(18,395)	201,605
Endowment Earnings	988,246	350,003	(163,488)	1,174,761
Other	<u>524,276</u>	<u>308,531</u>	<u>(452,975)</u>	<u>379,832</u>
 Total	 <u>\$ 1,640,522</u>	 <u>\$ 2,973,684</u>	 <u>\$ (1,077,174)</u>	 <u>\$ 3,537,032</u>

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Time Restrictions	\$ 84,675	\$ 128,000	\$ (84,675)	\$ 128,000
Endowment Earnings	1,182,367	(14,065)	(180,056)	988,246
Other	<u>822,764</u>	<u>580,336</u>	<u>(878,824)</u>	<u>524,276</u>
 Total	 <u>\$ 2,089,806</u>	 <u>\$ 694,271</u>	 <u>\$ (1,143,555)</u>	 <u>\$ 1,640,522</u>

During the year ended June 30, 2016, \$45,000 of donor-restricted funds were reclassified from temporarily restricted to permanently restricted. This reclassification is included as a release in the other line item in the changes in temporarily restricted net assets table above.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: Permanently restricted net assets include gift arrangements that provide that the principal assets of such funds are to be maintained inviolate and in perpetuity. At June 30, 2017, permanently restricted net assets include investments of \$2,418,162. At June 30, 2016, permanently restricted net assets include investments of \$2,417,662. Endowment income is recorded in unrestricted funds or temporarily restricted funds for charitable or operating purposes to the extent permitted by the Organization's spending policy or as specified in the gift agreement (see Note 10).

Recognition of Contributions and Grants: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Amounts required to be maintained in perpetuity by the donor are reported as permanently restricted net assets. Contributions, including unconditional promises to give, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities as net assets released from restrictions.

Program Fees: The Foodbank division of the Organization serves as a clearinghouse that solicits, collects, and stores donated surplus and salvage food and distributes it to its member agencies, which are nonprofit, tax-exempt agencies and organizations that provide meals and emergency food to their clients without charge. Member agencies pay a program fee per pound for products they withdraw from the Foodbank and transportation for the products. These shared program fees amounted to \$683,978 during 2017 and \$593,077 during 2016.

The Foodbank division also purchases select food items in bulk. Agencies pay a fee for these items equal to cost plus a mark-up. These purchase program fees amounted to \$327,158 during 2017 and \$294,509 during 2016.

The Meals on Wheels division of the Organization provides meals to homebound clients. Clients are billed for this service on a sliding scale based on their ability to pay, with some meals being free. These client program fees amounted to \$125,347 during 2017 and \$138,478 during 2016.

The Community Kitchen delivers subsidized meals to other community organizations. These delivery program fees amounted to \$235,191 during 2017 and \$205,148 during 2016.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Donated Materials and Services: The value of donated materials and the value of donated services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically have been purchased if not donated, are recognized in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments, for which no value is recognized in the financial statements.

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

Advertising: Advertising costs are expensed as incurred.

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents, unsecured receivables, and investments. The Organization maintains its cash and cash equivalent balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

Grants and contributions receivable are from individuals, corporations and foundations located primarily in central Virginia. The Organization believes its credit risk related to these grants and contributions receivable is limited due to the nature of its donors. The ability to collect receivables is affected by the general economic conditions.

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balances and the amount reported in the financial statements.

Subsequent Events: Management has evaluated subsequent events through September 15, 2017, the date the financial statements were available to be issued, and has determined that there are no other subsequent events to be reported in the accompanying financial statements.

FEED MORE, INC.

Notes to Financial Statements, Continued

3. Grants and Contributions Receivable:

Grants and contributions receivable represent unconditional promises to give which have been made by donors but have not yet been received by the Organization. Grants and contributions which will not be received in the subsequent year have been discounted using an estimated rate of return (1.22% for 2017) which could be earned if such grants and contributions had been received in the current year. There was no discount to present value on grants and contributions receivable at June 30, 2016.

Total grants and contributions receivable were as follows at June 30:

	2017	2016
Less than one year	\$ 1,495,837	\$ 738,478
One year to five years	741,700	36,500
	2,237,537	774,978
Less discount for net present value	(9,051)	-
Net grants and contributions receivable	\$ 2,228,486	\$ 774,978

4. Property and Equipment:

Property and equipment consisted of the following as of June 30:

	2017	2016
Land	\$ 604,820	\$ 604,820
Buildings	10,942,020	10,937,611
Automotive	1,446,470	1,167,903
Furniture and equipment	3,923,050	3,282,233
Construction in progress	421,166	18,219
	17,337,526	16,010,786
Less accumulated depreciation	6,440,007	5,660,158
Net property and equipment	\$ 10,897,519	\$ 10,350,628

Depreciation expense was \$790,128 for 2017 and \$743,167 for 2016.

FEED MORE, INC.

Notes to Financial Statements, Continued

5. Endowment Investments:

The cost and market value of endowment investments were as follows at June 30:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Money market funds	\$ 96,127	\$ 96,127	\$ 317,129	\$ 317,129
Bond funds	1,485,842	1,492,299	1,176,634	1,201,565
Equity securities	1,506,940	1,724,308	1,228,575	1,335,843
Mutual funds	<u>733,030</u>	<u>877,984</u>	<u>722,779</u>	<u>744,938</u>
	<u>\$ 3,821,939</u>	<u>\$ 4,190,718</u>	<u>\$ 3,445,117</u>	<u>\$ 3,599,475</u>

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2017 and 2016, the investments were held with Charles Schwab Institutional (see Note 11).

Investment returns were reported as follows for the years ended June 30:

	2017	2016
Interest and dividends	\$ 81,748	\$ 105,955
Net realized/unrealized gain (loss)	<u>305,166</u>	<u>(120,020)</u>
	<u>\$ 386,914</u>	<u>\$ (14,065)</u>

6. Donated Food and Services Distributed:

The food and non-food products distributed by the Organization are provided from various sources including government contracts, and business and individual donations. In 2017, the total of product handled amounted to 25,956,151 pounds, with usable product of 24,849,569 pounds, which was distributed through 285 member agencies. In 2016, the total of products handled amounted to 23,903,179 pounds, with usable product of 21,396,869 pounds, which was distributed through 308 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$42,989,755 for 2017 and \$35,732,771 for 2016.

FEED MORE, INC.

Notes to Financial Statements, Continued

7. Retirement Plan:

The Organization has a Safe-Harbor 401(k) Plan that covers all eligible employees with at least one year of service who are over the age of 18 years. For each employee who meets the eligibility requirements, the Organization currently has elected to pay a 3% safe harbor match and an additional 50% match of the employee's deferral election, for a total maximum employer contribution of 6% of the employee's gross income. Each employee is 100% vested in the employer matches immediately upon remittance. The Organization's contributions to the Plan amounted to \$219,094 in 2017 and \$184,555 in 2016.

8. Commitments and Contingencies:

During 2017 and 2016, the Organization leased certain advertising space on the Organization's building to an unrelated party. The lease, which is a month to month agreement, calls for monthly payments to the Organization of \$1,250. The total rental income from this lease was \$15,000 for 2017 and \$11,250 for 2016.

The Organization has an operating lease for a copier through September 2019. The lease calls for monthly payments of \$1,300 for copier use and maintenance.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for noncompliance with grantor restrictions. Such audits could also result in the grantor prohibiting future funding of such grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, for any impact from the revocation of future grant funds cannot be determined at this date.

9. Allocation of Joint Costs:

The Organization incurred joint costs of \$427,705 in 2017 and \$643,500 in 2016 for informational materials and activities that included fund-raising appeals. In 2017, of these costs, \$379,764 was allocated to fund-raising expenses, \$42,621 was allocated to program services, and \$5,320 was allocated to management and general expenses. In 2016, of these costs, \$571,620 was allocated to fund-raising expenses, \$66,996 was allocated to program services, and \$4,884 was allocated to management and general expenses.

10. Endowment Funds:

Feed More, Inc. has four endowment funds. These endowment funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

Interpretation of Relevant Law: The Board of Directors, after professional consultation, has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift 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 donor restricted endowment funds that are not classified as permanently restricted net assets, are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions 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 funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the Organization

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have any deficiencies in its endowment funds as of June 30, 2017 and 2016.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to the organization endowed by donor-restricted funds as well as programs supported by the endowment funds of Feed More, Inc. at the direction of the Board of Directors. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the portfolio is structured to attain a rate of return consistent with a conservative, balanced portfolio management approach. This return should be sufficient to cover the Board's spending policy obligations consistent with the risk parameters in the policy.

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

Some donor-restricted endowment funds restrict annual distributions to net income. The Organization uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of appropriating for distribution each year up to 5 percent of the endowment funds' average fair value, depending on annual budgetary goals. In establishing this policy, the Organization considered the long-term expected return on the endowments. Accordingly, over the long term the Organization expects the current spending policy to allow the endowments to continue to grow annually. This is consistent with objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return restrictions.

Endowment net asset composition by type of fund was as follows at June 30, 2017:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,174,761	\$ 2,418,162	\$ 3,592,923
Board-designated endowment funds	<u>597,795</u>	<u>-</u>	<u>-</u>	<u>597,795</u>
	<u>\$ 597,795</u>	<u>\$ 1,174,761</u>	<u>\$ 2,418,162</u>	<u>\$ 4,190,718</u>

Endowment net asset composition by type of fund was as follows at June 30, 2016:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 988,246	\$ 2,417,662	\$ 3,405,908
Board-designated endowment funds	<u>193,567</u>	<u>-</u>	<u>-</u>	<u>193,567</u>
	<u>\$ 193,567</u>	<u>\$ 988,246</u>	<u>\$ 2,417,662</u>	<u>\$ 3,599,475</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

Changes in endowment net assets were as follows:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 1,182,367</u>	<u>\$ 2,352,162</u>	<u>\$ 3,534,529</u>
Investment return:				
Investment income	-	105,955	-	105,955
Unrealized and realized loss on investments, net	<u>-</u>	<u>(120,020)</u>	<u>-</u>	<u>(120,020)</u>
Total investment return	<u>-</u>	<u>(14,065)</u>	<u>-</u>	<u>(14,065)</u>
New gifts	<u>193,567</u>	<u>-</u>	<u>65,500</u>	<u>259,067</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(180,056)</u>	<u>-</u>	<u>(180,056)</u>
Endowment net assets, June 30, 2016	<u>\$ 193,567</u>	<u>\$ 988,246</u>	<u>\$ 2,417,662</u>	<u>\$ 3,599,475</u>
Investment return:				
Investment income	7,037	74,711	-	81,748
Unrealized and realized gain on investments, net	<u>29,874</u>	<u>275,292</u>	<u>-</u>	<u>305,166</u>
Total investment return	<u>36,911</u>	<u>350,003</u>	<u>-</u>	<u>386,914</u>
New gifts	<u>367,317</u>	<u>-</u>	<u>500</u>	<u>367,817</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(163,488)</u>	<u>-</u>	<u>(163,488)</u>
Endowment net assets, June 30, 2017	<u>\$ 597,795</u>	<u>\$ 1,174,761</u>	<u>\$ 2,418,162</u>	<u>\$ 4,190,718</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Fair Value Measurements:

The Financial Accounting Standards Board has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets. There were no assets or liabilities classified as Level 2 at June 30, 2017 and 2016.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The donated food inventory is valued using primarily Level 3 inputs, which is based upon a study performed by Feeding America (see Note 2). Food destroyed represents food resulting from spoilage.

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2017, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Money market funds	\$ 96,127	\$ -	\$ 96,127
Bond funds	1,492,299	-	1,492,299
Equity securities:			
Utilities	196,188	-	196,188
Consumer discretionary	371,592	-	371,592
Consumer staples	113,439	-	113,439
Healthcare	325,694	-	325,694
Producer durables	24,753	-	24,753
Financial services	235,368	-	235,368
Technology	330,424	-	330,424
Energy	126,850	-	126,850
Mutual funds:			
International large cap	470,260	-	470,260
Mid cap value	202,473	-	202,473
Small cap value	205,251	-	205,251
	4,190,718		4,190,718
Donated food inventory	-	2,036,297	2,036,297
 Total	 \$ 4,190,718	 \$ 2,036,297	 \$ 6,227,015

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2016, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Money market funds	\$ 317,130	\$ -	\$ 317,130
Bond funds	1,201,564	-	1,201,564
Equity securities:			
Utilities	159,975	-	159,975
Consumer discretionary	262,445	-	262,445
Consumer staples	90,619	-	90,619
Healthcare	244,260	-	244,260
Producer durables	21,183	-	21,183
Financial services	215,314	-	215,314
Technology	291,116	-	291,116
Energy	50,932	-	50,932
Mutual funds:			
International large cap	390,653	-	390,653
Small cap value	354,284	-	354,284
	3,599,475	-	3,599,475
Donated food inventory	-	2,217,379	2,217,379
Total	\$ 3,599,475	\$ 2,217,379	\$ 5,816,854

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Fair Value Measurements, Continued:

The table below sets forth a summary of changes in the fair value of the donated inventory classified as Level 3 assets:

	<u>Donated Inventory</u>
Balance at June 30, 2015	\$ 1,241,110
Donated food	39,913,907
Food distributed	(35,732,771)
Food destroyed	<u>(3,204,867)</u>
Balance at June 30, 2016	2,217,379
Donated food	44,988,409
Food distributed	(42,989,755)
Food destroyed	<u>(2,179,736)</u>
Balance at June 30, 2017	<u>\$ 2,036,297</u>

SUPPLEMENTAL INFORMATION

FEED MORE, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Programs from:			
Virginia Department of Agriculture and Consumer Services:			
Emergency Food Assistance Program (Administrative Costs)	10.568	67-300	\$ 118,591
Emergency Food Assistance Program (Food Commodities)	10.569	67-300	1,755,592
Commodity Supplemental Food Program	10.565	67-300	<u>733,836</u>
Total Emergency Food Assistance Program Cluster			2,608,019
Summer Food Service Program	10.559	67-300	383,030
Child and Adult Care Food Program	10.558	67-300	968,920
Virginia 365 Backpack Program	10.579	67-300	<u>951,033</u>
Total U. S. Department of Agriculture			<u>4,911,002</u>
U.S. Department of Health and Human Services Pass-Through Programs from:			
Senior Connections - Capital Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	664,690
Jefferson Area Board of Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	7,785
Crater District Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	<u>86,673</u>
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			<u>759,148</u>
Total U.S. Department of Health and Human Services			<u>759,148</u>
Total			<u>\$ 5,670,150</u>

See report of independent accountants.

FEED MORE, INC.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Feed More, Inc. and is presented on the basis of accounting as described in Note 2 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*.

Note B – Nonmonetary Assistance

Of the amount reported on the Schedule of Expenditures of Federal Awards, nonmonetary assistance (food commodities) for 2017 is as follows:

Emergency Food Assistance Program (Food Commodities)	\$ 1,755,592
Commodity Supplemental Food Program	<u>469,854</u>
	<u>\$ 2,225,446</u>

As of June 30, 2017 the Organization had the following nonmonetary inventory:

Emergency Food Assistance Program (Food Commodities)	\$ 159,369
Commodity Supplemental Food Program	<u>191,216</u>
	<u>\$ 350,585</u>

See report of independent accountants.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Feed More, Inc.
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Feed More, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

September 15, 2017
Glen Allen, Virginia

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Feed More, Inc.
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Feed More, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



September 15, 2017
Glen Allen, Virginia

FEED MORE, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS:

- (1) The accountants' report expresses an unmodified opinion on the financial statements.
- (2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit.
- (3) No noncompliance which is material to the financial statements was disclosed by the audit.
- (4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were disclosed by the audit.
- (5) Unmodified opinion on compliance for major programs.
- (6) No findings were disclosed by the audit.
- (7) Major Programs:

	Federal CFDA <u>Number</u>
Summer Food Service Program	10.559
Child and Adult Care Food Program	10.558
Special Programs for the Aging – Title III	93.045
Virginia 365 Backpack Program	10.579
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (9) The auditee did qualify as a low risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

None

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

FEED MORE, INC.

Corrective Action Plan
Year Ended June 30, 2017

Not Applicable

FEED MORE, INC.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

None