

# F E E D M O R E

Financial Statements

June 30, 2024 and 2023



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**FEED MORE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Feed More, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feed More, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- 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 audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



November 19, 2024  
Glen Allen, Virginia

**FEED MORE, INC.**

Statements of Financial Position  
June 30, 2024 and 2023

| <u>Assets</u>                             | <u>2024</u>          | <u>2023</u>          |
|---|----------------------|----------------------|
| <b>Assets:</b>                            |                      |                      |
| Cash and cash equivalents                 | \$ 3,454,686         | \$ 7,619,798         |
| Restricted cash                           | 192,150              | 192,150              |
| Certificates of deposit                   | -                    | 269,546              |
| Accounts receivable, net                  | 311,376              | 344,913              |
| Grants and contributions receivable, net  | 3,456,718            | 4,139,809            |
| Prepaid expenses                          | 223,879              | 242,534              |
| Inventory                                 | 2,930,182            | 2,305,942            |
| Property and equipment, net               | 40,319,676           | 14,607,664           |
| Property held for sale                    | 8,274,042            | -                    |
| Right of use asset, net                   | 171,003              | 38,590               |
| Endowment investments                     | 11,649,352           | 10,178,927           |
| Other investments                         | 7,585,098            | 11,792,157           |
| Other assets                              | 22,673               | 23,989               |
|   | <u>\$ 78,590,835</u> | <u>\$ 51,756,019</u> |
| <br><u>Liabilities and Net Assets</u><br> |                      |                      |
| <b>Liabilities:</b>                       |                      |                      |
| Bank revolving line of credit             | \$ 3,000,000         | \$ -                 |
| Accounts payable                          | 3,706,132            | 194,191              |
| Accrued expenses                          | 2,187,924            | 580,032              |
| Lease obligation                          | 171,123              | 38,590               |
| Deferred revenue                          | 134,761              | 126,647              |
|   | <u>9,199,940</u>     | <u>939,460</u>       |
| <br><b>Net assets:</b>                    |                      |                      |
| Without donor restrictions:               |                      |                      |
| Undesignated                              | 53,644,595           | 34,058,496           |
| Board designated                          | 5,233,850            | 5,463,848            |
| Total without donor restrictions          | 58,878,445           | 39,522,344           |
| With donor restrictions                   | 10,512,450           | 11,294,215           |
|   | <u>69,390,895</u>    | <u>50,816,559</u>    |
|   | <u>\$ 78,590,835</u> | <u>\$ 51,756,019</u> |

See accompanying notes to the financial statements.

**FEED MORE, INC.**

Statement of Activities  
Year Ended June 30, 2024

|  | <u>Without Donor Restrictions</u> |                            | With Donor<br>Restrictions | Total               |
|--|-----------------------------------|----------------------------|----------------------------|---------------------|
|  | <u>Undesignated</u>               | Board<br><u>Designated</u> |                            |                     |
| Revenues and other support:                      |                                   |                            |                            |                     |
| Program fees                                     | \$ 1,173,575                      | \$ -                       | \$ -                       | \$ 1,173,575        |
| Government fees                                  | 5,429,479                         | -                          | -                          | 5,429,479           |
| Government grants                                | 704,234                           | -                          | 603,500                    | 1,307,734           |
| Membership fees                                  | 18,605                            | -                          | -                          | 18,605              |
| Board and individual donations                   | 6,478,577                         | -                          | 1,514,215                  | 7,992,792           |
| Civic organization contributions                 | 558,925                           | -                          | 20,500                     | 579,425             |
| Foundation grants and contributions              | 1,449,758                         | -                          | 11,498,664                 | 12,948,422          |
| Corporate and other contributions                | 3,576,993                         | -                          | 1,821,824                  | 5,398,817           |
| Miscellaneous income                             | 4,662                             | -                          | -                          | 4,662               |
| Interest and dividends                           | 793,228                           | 121,705                    | 122,734                    | 1,037,667           |
| Donated foods received                           | <u>70,057,011</u>                 | <u>-</u>                   | <u>-</u>                   | <u>70,057,011</u>   |
| Total revenues and other support                 | <u>90,245,047</u>                 | <u>121,705</u>             | <u>15,581,437</u>          | <u>105,948,189</u>  |
| Amounts released from restrictions               | <u>18,002,891</u>                 | <u>-</u>                   | <u>(18,002,891)</u>        | <u>-</u>            |
| Transfer of gifts and designations               | <u>-</u>                          | <u>(1,000,000)</u>         | <u>1,000,000</u>           | <u>-</u>            |
| Expenses:  |                                   |                            |                            |                     |
| Program services                                 | 86,353,680                        | -                          | -                          | 86,353,680          |
| Management and general                           | 1,135,931                         | -                          | -                          | 1,135,931           |
| Fund-raising                                     | <u>1,498,941</u>                  | <u>-</u>                   | <u>-</u>                   | <u>1,498,941</u>    |
| Total expenses                                   | <u>88,988,552</u>                 | <u>-</u>                   | <u>-</u>                   | <u>88,988,552</u>   |
| Unrealized and realized gain on investments, net | <u>326,713</u>                    | <u>648,297</u>             | <u>639,689</u>             | <u>1,614,699</u>    |
| Change in net assets                             | 19,586,099                        | (229,998)                  | (781,765)                  | 18,574,336          |
| Net assets, beginning of year                    | <u>34,058,496</u>                 | <u>5,463,848</u>           | <u>11,294,215</u>          | <u>50,816,559</u>   |
| Net assets, end of year                          | <u>\$ 53,644,595</u>              | <u>\$ 5,233,850</u>        | <u>\$10,512,450</u>        | <u>\$69,390,895</u> |

See accompanying notes to the financial statements.

**FEED MORE, INC.**

Statement of Activities  
Year Ended June 30, 2023

|  | <u>Without Donor Restrictions</u> |                            | With Donor<br>Restrictions | Total                |
|--|-----------------------------------|----------------------------|----------------------------|----------------------|
|  | <u>Undesignated</u>               | Board<br><u>Designated</u> |                            |                      |
| Revenues and other support:                      |                                   |                            |                            |                      |
| Program fees                                     | \$ 1,027,428                      | \$ -                       | \$ -                       | \$ 1,027,428         |
| Government fees                                  | 4,960,066                         | -                          | -                          | 4,960,066            |
| Government grants                                | 100                               | -                          | 1,673,814                  | 1,673,914            |
| Membership fees                                  | 19,135                            | -                          | -                          | 19,135               |
| Board and individual donations                   | 7,806,431                         | 7,500                      | 3,127,713                  | 10,941,644           |
| Civic organization contributions                 | 472,916                           | -                          | 27,000                     | 499,916              |
| Foundation grants and contributions              | 2,307,670                         | -                          | 615,225                    | 2,922,895            |
| Corporate and other contributions                | 340,383                           | -                          | 2,181,909                  | 2,522,292            |
| Miscellaneous income                             | 657                               | -                          | -                          | 657                  |
| Interest and dividends                           | 438,995                           | 113,473                    | 99,014                     | 651,482              |
| Donated foods received                           | <u>63,800,545</u>                 | <u>-</u>                   | <u>-</u>                   | <u>63,800,545</u>    |
| Total revenues and other support                 | <u>81,174,326</u>                 | <u>120,973</u>             | <u>7,724,675</u>           | <u>89,019,974</u>    |
| Amounts released from restrictions               | <u>3,325,513</u>                  | <u>-</u>                   | <u>(3,325,513)</u>         | <u>-</u>             |
| Expenses:  |                                   |                            |                            |                      |
| Program services                                 | 80,684,654                        | -                          | -                          | 80,684,654           |
| Management and general                           | 1,114,244                         | -                          | -                          | 1,114,244            |
| Fund-raising                                     | <u>1,347,092</u>                  | <u>-</u>                   | <u>-</u>                   | <u>1,347,092</u>     |
| Total expenses                                   | <u>83,145,990</u>                 | <u>-</u>                   | <u>-</u>                   | <u>83,145,990</u>    |
| Unrealized and realized gain on investments, net | 297,130                           | 417,200                    | 362,684                    | 1,077,014            |
| Gain on sale of equipment                        | <u>13,169</u>                     | <u>-</u>                   | <u>-</u>                   | <u>13,169</u>        |
| Change in net assets                             | 1,664,148                         | 538,173                    | 4,761,846                  | 6,964,167            |
| Net assets, beginning of year                    | <u>32,394,348</u>                 | <u>4,925,675</u>           | <u>6,532,369</u>           | <u>43,852,392</u>    |
| Net assets, end of year                          | <u>\$ 34,058,496</u>              | <u>\$ 5,463,848</u>        | <u>\$ 11,294,215</u>       | <u>\$ 50,816,559</u> |

See accompanying notes to the financial statements.

**FEED MORE, INC.**

Statement of Functional Expenses  
Year Ended June 30, 2024

|   | Program<br>Services | Management<br>and General | Fund-Raising | Total<br>Expenses |
|---|---------------------|---------------------------|--------------|-------------------|
| Salaries  | \$ 5,906,073        | \$ 751,377                | \$ 605,774   | \$ 7,263,224      |
| Employee taxes and benefits   | 1,521,961           | 163,221                   | 134,605      | 1,819,787         |
| Total salaries and benefits   | 7,428,034           | 914,598                   | 740,379      | 9,083,011         |
| Advertising   | 133,379             | 589                       | 106,801      | 240,769           |
| Agency grants   | 613,990             | -                         | -            | 613,990           |
| Food purchases  | 3,993,878           | -                         | -            | 3,993,878         |
| Mailing house services  | -                   | -                         | 397,156      | 397,156           |
| Occupancy   | 544,389             | 21,795                    | 17,765       | 583,949           |
| Office supplies   | 503,976             | 66,226                    | 50,353       | 620,555           |
| Off-site storage  | 329,568             | -                         | -            | 329,568           |
| Other administrative  | 382,122             | 45,146                    | 124,875      | 552,143           |
| Professional fees   | 114,149             | 58,936                    | 8,971        | 182,056           |
| Repairs and maintenance   | 505,675             | 2,568                     | 9,021        | 517,264           |
| Supplies  | 546,962             | 5,495                     | 1,091        | 553,548           |
| Temporary labor   | 210,245             | 572                       | 16,870       | 227,687           |
| Transportation  | 528,769             | 3,094                     | 3,693        | 535,556           |
| Total expenses before<br>depreciation, donated foods<br>distributed, and food discarded | 15,835,136          | 1,119,019                 | 1,476,975    | 18,431,130        |
| Depreciation  | 1,067,401           | 16,912                    | 21,966       | 1,106,279         |
| Donated foods distributed   | 68,806,325          | -                         | -            | 68,806,325        |
| Food discarded  | 644,818             | -                         | -            | 644,818           |
| Total expenses  | \$ 86,353,680       | \$ 1,135,931              | \$ 1,498,941 | \$ 88,988,552     |

See accompanying notes to the financial statements.



**FEED MORE, INC.**

Statement of Functional Expenses  
Year Ended June 30, 2023

|   | Program<br>Services | Management<br>and General | Fund-Raising | Total<br>Expenses |
|---|---------------------|---------------------------|--------------|-------------------|
| Salaries  | \$ 5,446,973        | \$ 715,845                | \$ 566,368   | \$ 6,729,186      |
| Employee taxes and benefits   | 1,420,768           | 155,773                   | 115,581      | 1,692,122         |
| Total salaries and benefits   | 6,867,741           | 871,618                   | 681,949      | 8,421,308         |
| Advertising   | 114,560             | 493                       | 101,880      | 216,933           |
| Agency grants   | 300,083             | -                         | -            | 300,083           |
| Food purchases  | 4,643,548           | -                         | -            | 4,643,548         |
| Mailing house services  | -                   | -                         | 331,433      | 331,433           |
| Occupancy   | 539,581             | 20,942                    | 18,372       | 578,895           |
| Office supplies   | 464,839             | 67,200                    | 39,569       | 571,608           |
| Off-site storage  | 426,298             | -                         | -            | 426,298           |
| Other administrative  | 340,985             | 38,921                    | 93,710       | 473,616           |
| Professional fees   | 124,275             | 75,038                    | 25,757       | 225,070           |
| Repairs and maintenance   | 519,976             | 2,428                     | 8,553        | 530,957           |
| Supplies  | 485,696             | 7,485                     | 4,488        | 497,669           |
| Temporary labor   | 277,547             | 1,557                     | 1,443        | 280,547           |
| Transportation  | 530,272             | 1,819                     | 1,994        | 534,085           |
| Total expenses before<br>depreciation, donated foods<br>distributed, and food discarded | 15,635,401          | 1,087,501                 | 1,309,148    | 18,032,050        |
| Depreciation  | 1,269,374           | 26,743                    | 37,944       | 1,334,061         |
| Donated foods distributed   | 63,386,501          | -                         | -            | 63,386,501        |
| Food discarded  | 393,378             | -                         | -            | 393,378           |
| Total expenses  | \$ 80,684,654       | \$ 1,114,244              | \$ 1,347,092 | \$ 83,145,990     |

See accompanying notes to the financial statements.

## FEED MORE, INC.

### Statements of Cash Flows Years Ended June 30, 2024 and 2023

|  | 2024          | 2023         |
|--|---------------|--------------|
| Cash flows from operating activities:  |               |              |
| Change in net assets   | \$ 18,574,336 | \$ 6,964,167 |
| Adjustments to reconcile change in net assets to net cash from operating activities: |               |              |
| Depreciation   | 1,106,279     | 1,334,061    |
| Gain on sale of equipment  | -             | (13,169)     |
| Endowment investments new gifts  | (1,250,000)   | (250,000)    |
| Unrealized and realized gain on investments, net                                     | (1,614,699)   | (1,077,014)  |
| Increase in donated in-kind inventory  | (605,868)     | (20,666)     |
| Noncash operating lease expense  | 120           | -            |
| Changes in operating assets and liabilities:   |               |              |
| Accounts receivable, net   | 33,537        | (106,330)    |
| Grants and contributions receivable, net   | 683,091       | (2,859,932)  |
| Prepaid expenses   | 18,655        | (140,003)    |
| Inventory  | (18,372)      | 155,170      |
| Other assets   | 1,316         | 2,221        |
| Accounts payable   | 3,511,941     | (209,609)    |
| Accrued expenses   | 1,607,892     | (171,309)    |
| Deferred revenue   | 8,114         | (3,501)      |
| Net cash provided by operating activities  | 22,056,342    | 3,604,086    |
| Cash flows from investing activities:  |               |              |
| Proceeds from sale of equipment  | -             | 16,149       |
| Purchase of property and equipment   | (35,092,333)  | (2,897,701)  |
| Reinvestment of dividends  | (710,667)     | (486,493)    |
| Proceeds from sale and maturities of investments                                     | 5,581,546     | 197,373      |
| Purchases of investments   | (250,000)     | (257,500)    |
| Net cash used in investing activities  | (30,471,454)  | (3,428,172)  |
| Cash flows from financing activities:  |               |              |
| New gifts to endowment   | 1,250,000     | 250,000      |
| Proceeds on line of credit   | 3,000,000     | -            |
| Net cash provided by financing activities  | 4,250,000     | 250,000      |

See accompanying notes to the financial statements.

**FEED MORE, INC.**

Statements of Cash Flows, Continued  
Years Ended June 30, 2024 and 2023

|   | <u>2024</u>         | <u>2023</u>         |
|---|---------------------|---------------------|
| Net (decrease) increase in cash, cash equivalents and restricted cash | \$ (4,165,112)      | \$ 425,914          |
| Cash, cash equivalents, and restricted cash beginning of year         | <u>7,811,948</u>    | <u>7,386,034</u>    |
| Cash, cash equivalents, and restricted cash end of year               | <u>\$ 3,646,836</u> | <u>\$ 7,811,948</u> |
| Reconciliation to statements of financial position:                   |                     |                     |
| Cash and cash equivalents   | \$ 3,454,686        | \$ 7,619,798        |
| Restricted cash   | <u>192,150</u>      | <u>192,150</u>      |
| Total   | <u>\$ 3,646,836</u> | <u>\$ 7,811,948</u> |
| Supplemental disclosure of cash flow information:                     |                     |                     |
| Non-cash transactions   |                     |                     |
| Acquisition of right of use asset through operating lease obligation  | <u>\$ 178,465</u>   | <u>\$ -</u>         |
| Transfer of property to property held for sale                        | <u>\$ 8,274,042</u> | <u>\$ -</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:

**Basis of Accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**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 and Cash Equivalents:** The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Restricted cash, as reported on the accompanying Statements of Financial Position, is restricted to maintain a bank balance as required by a letter of credit agreement (see Note 6).

**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 credit losses. The allowance is based on management's estimate of the amount of receivables that will actually be collected. The allowance for credit losses receivable was \$7,500 at June 30, 2024 and 2023. Accounts receivable was \$238,583 at July 1, 2022.

**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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities as amounts 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, 2024 and 2023, 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 without donor restrictions or with donor restrictions as appropriate. The effective interest rates for the present value discount on contributions receivable at June 30, 2024, were between 1.75% and 5.5%, and for year ended June 30, 2023, were between 1.75% and 5.4%. Conditional promises are recognized as revenue when donor stipulations are substantially met. There were no conditional promises to give at June 30, 2024 and 2023.

**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.

**Property Held for Sale:** Property held for sale includes the cost of land and building owned by the Organization that will be sold or offered for sale to qualified buyers within six months of the year ended June 30, 2024. As of June 30, 2024, there was property held for future sale of \$8,274,042.

**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 \$1.97 at June 30, 2024 and \$1.93 at June 30, 2023, 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 \$2,270,598 as of June 30, 2024 and \$1,664,730 as of June 30, 2023.

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 \$659,584 as of June 30, 2024 and \$641,212 as of June 30, 2023. No valuation allowance was considered necessary as of June 30, 2024 and 2023.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Endowment and Other 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.

**Leases:** The Organization follows FASB ASC 842 Leases ("ASC 842"). ASC 842 requires lessees to recognize a right of use asset and a lease liability on the statements of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right of use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Organization elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right of use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

The Organization elected to not record a lease liability and corresponding right of use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

**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 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, 2024 and 2023. The Organization is not currently under audit by any tax jurisdiction.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Net Assets:** The Organization classifies its net assets into two categories: with donor restrictions and without donor restrictions.

Net assets without donor restrictions 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 identified as Board designated within the net assets without donor restrictions. Board designated net assets are intended to operate as a supplemental resource for future needs of the Organization. Board designated net assets totaled \$5,233,850 at June 30, 2024 and \$5,463,848 at June 30, 2023. Total net assets without donor restrictions were \$58,878,445 at June 30, 2024 and \$39,522,344 at June 30, 2023.

Net assets with donor restrictions include funds whose use by the Organization has been limited by donors to a specific time period or purpose. At June 30, 2024, net assets with donor restrictions include cash and investments of \$7,235,338, grant and contributions receivables of \$3,190,738, and prepaid expenses of \$86,374. At June 30, 2023, net assets with donor restrictions include cash and investments of \$7,149,256, grant and contributions receivables of \$4,019,745, and prepaid expenses of \$125,214.

Net assets with donor restrictions also include gift arrangements that provide that the principal assets of such funds are to be maintained inviolate and in perpetuity. At June 30, 2024, net assets with permanent donor restrictions include investments of \$4,421,162. At June 30, 2023, net assets with permanent donor restrictions include investments of \$3,171,162. Endowment income is recorded in funds without donor restrictions or donor 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 14).

**Recognition of Contributions and Grants:** All contributions are considered to be available without restrictions 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 donor restricted. Amounts required to be maintained in perpetuity by the donor are reported as net assets with donor restrictions. 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, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as amounts released from restrictions.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Revenue Recognition:** The Organization follows FASB ASC 606, Revenue from Contracts with Customers (ASC 606), which apply to all contracts with customers to transfer goods or services or for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. The core principle is that an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Organization's products or services. Revenue is measured as the amount of total consideration expected to be received in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer in exchange for payment and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. Revenue from sponsorships, service fees, and membership fees, and donated food is recognized at a point in time when the performance obligations are satisfied.

Contract assets represent the Organization's right to consideration in exchange for service transferred to a customer. There were no contract assets at June 30, 2024 and 2023, and July 1, 2022. Contract liabilities represent the Organization's obligation to transfer products and services to a customer when the customer prepays consideration for products and services and are included in deferred revenue in the accompanying Statements of Financial Position. Contract liabilities were \$130,148 at July 1, 2022.

**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. These shared program fees amounted to \$392,067 during 2024 and \$314,284 during 2023.

The Foodbank division also purchases select food items in bulk. Agencies pay a fee for these items equal to cost. These purchase program fees amounted to \$443,887 during 2024 and \$413,462 during 2023.

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 \$30,130 during 2024 and \$46,648 during 2023.

The Community Kitchen delivers subsidized meals to other community organizations. These program fees amounted to \$307,491 during 2024 and \$253,034 during 2023.



## 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. Expenses have been summarized based on function and natural classification in the Statements of Functional Expenses. Accordingly, wages and related costs have been allocated based on time spent in the various functions, and certain costs have been allocated among the programs and supporting services benefits. Certain attributable costs that are not readily identified as benefiting a functional area are changed to other administrative. Occupancy costs include direct costs and allocations based on square footage.

**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.

**Newly Adopted Accounting Standards:** In 2016, the FASB issued ASU 2016-13 – Current Expected Credit Losses ("CECL") that replaces the current incurred loss model with an expected loss model for measuring impairment loss of trade and other receivables. The new standard will be effective for periods beginning after December 14, 2022 and will require entities to use a modified retrospective approach to the earliest period presented. The Organization adopted the new standard effective July 1, 2023 and did not have a material effect on the Organization's financial statements.

**Subsequent Events:** Management has evaluated subsequent events through November 19, 2024, the date the financial statements were available to be issued, and has determined that there are no 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 (ranging between 1.75% and 5.5% for 2024 and 1.75% and 5.4% for 2023) which could be earned if such grants and contributions had been received in the current year.

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

|   | <u>2024</u>         | <u>2023</u>         |
|---|---------------------|---------------------|
| Less than one year                      | \$ 2,070,806        | \$ 3,078,581        |
| One year to five years                  | <u>1,467,738</u>    | <u>1,112,871</u>    |
|   | 3,538,544           | 4,191,452           |
| Less discount for net present value     | <u>(81,826)</u>     | <u>(51,643)</u>     |
| Net grants and contributions receivable | <u>\$ 3,456,718</u> | <u>\$ 4,139,809</u> |

#### 4. Property and Equipment:

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

|                                    | <u>2024</u>          | <u>2023</u>          |
|------------------------------------|----------------------|----------------------|
| Land                               | \$ -                 | \$ 604,820           |
| Buildings                          | 1,440,528            | 14,664,768           |
| Automotive                         | 3,465,308            | 2,945,922            |
| Furniture and equipment            | 5,755,629            | 5,812,826            |
| Leasehold improvements             | 134,669              | 134,669              |
| Construction in progress (Note 16) | <u>36,769,220</u>    | <u>2,344,154</u>     |
|                                    | 47,565,354           | 26,507,159           |
| Less accumulated depreciation      | <u>7,245,678</u>     | <u>11,899,495</u>    |
| Net property and equipment         | <u>\$ 40,319,676</u> | <u>\$ 14,607,664</u> |

Depreciation expense was \$1,106,279 for 2024 and \$1,334,061 for 2023.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 5. Right of Use Asset and Lease Obligation:

The Organization's lease portfolio consists of one operating lease for real estate for a warehouse facility in South Hill, Virginia, with a lease term of 60 months which terminated in April 2024. However, in 2024, the Organization exercised the option to extend the lease for two consecutive two-year periods with an increase of 3% for each renewal period. In accordance with ASC 842, a right of use asset and lease liability were recorded at the time the Organization exercised the lease extension option based on the present value of the future lease payment using a discount rate of 4.76%.

Future maturities of the operating lease obligation as of June 30, 2024:

| <u>Year</u>                     | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2025                            | \$ 48,204         |
| 2026                            | 48,445            |
| 2027                            | 49,650            |
| 2028                            | <u>41,375</u>     |
|                                 | 187,674           |
| Less: discount to present value | <u>(16,551)</u>   |
|                                 | <u>\$ 171,123</u> |

Total operating lease expense was \$47,155 for 2024 and \$46,800 for 2023.

#### 6. Credit Agreements:

In conjunction with building a new facility (Note 16), the Organization is required to hold a standby letter of credit for \$183,000 with a commercial bank. The standby letter of credit was issued on June 28, 2023, and expires on June 28, 2026. Under the terms of the credit agreement, the Organization must maintain a minimum balance of \$192,150 with the commercial bank. Total amount of restricted cash is \$192,150 at June 30, 2024 and 2023, and is included as restricted cash on the accompanying Statements of Financial Position. There were no amounts outstanding under the standby letter of credit as of June 30, 2024 and 2023.

The Organization signed a financing agreement (the "Financing Agreement") with Atlantic Union Bank on November 2, 2023, to provide a revolving line of credit with a maximum borrowing capacity of \$20 million to be used towards construction and renovation of the new facility. The amount outstanding under the Financing Agreement bears interest at a rate per annum equal to Term SOFR (as defined in Loan Agreement) then in effect plus the Applicable Margin of 2.10%. On June 30, 2024, the interest rate in effect was 7.43%. The loan requires interest only payments until September 30, 2025, at which time the Organization may elect to convert the loan to a 5-year term loan with a 15-year amortization. In addition, the loan includes a Loan Amount Reduction Clause which reduces the maximum borrowing capacity by the greater of the proceeds of sale of existing property or \$10 million by July 1, 2025. As of June 30, 2024, \$3 million was outstanding on the line of credit.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 7. Endowment and Other Investments:

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

|                              | 2024                |                      | 2023                |                      |
|------------------------------|---------------------|----------------------|---------------------|----------------------|
|                              | Cost                | Market Value         | Cost                | Market Value         |
| Bond ETFs and mutual funds   | \$ 2,632,758        | \$ 2,589,427         | \$ 3,171,981        | \$ 3,068,986         |
| Cash and money market        | 34,547              | 34,547               | 254,020             | 254,020              |
| Equity ETFs and mutual funds | <u>6,506,486</u>    | <u>9,025,378</u>     | <u>5,641,562</u>    | <u>6,855,921</u>     |
|                              | <u>\$ 9,173,791</u> | <u>\$ 11,649,352</u> | <u>\$ 9,067,563</u> | <u>\$ 10,178,927</u> |

The endowment investments held consist of contributions designated by donors for the endowment, contributions designated by the board for the endowment, earnings, and unrealized gains and losses. At June 30, 2024 and 2023, the endowment investments were held with Charles Schwab Institutional (see Note 14).

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

|   | 2024                |                     | 2023                 |                      |
|---|---------------------|---------------------|----------------------|----------------------|
|   | Cost                | Market Value        | Cost                 | Market Value         |
| Cash and money market funds                     | \$ 305,840          | \$ 305,840          | \$ 5,040,184         | \$ 5,040,184         |
| Bond funds, bond ETFs and mutual funds          | 4,215,510           | 4,167,066           | 4,264,292            | 4,184,167            |
| Equity securities, equity ETFs and mutual funds | <u>2,529,550</u>    | <u>3,112,192</u>    | <u>2,208,811</u>     | <u>2,567,806</u>     |
|   | <u>\$ 7,050,900</u> | <u>\$ 7,585,098</u> | <u>\$ 11,513,287</u> | <u>\$ 11,792,157</u> |

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

|                                       | 2024                | 2023                |
|---------------------------------------|---------------------|---------------------|
| Interest and dividends                | \$ 1,037,667        | \$ 651,482          |
| Net realized and unrealized gain, net | <u>1,614,699</u>    | <u>1,077,014</u>    |
|                                       | <u>\$ 2,652,366</u> | <u>\$ 1,728,496</u> |

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 8. Net Assets with Donor Restrictions:

Changes in net assets with donor restrictions consist of the following for the year ended June 30, 2024:

|  | Beginning<br>Balance | Additions            | Releases               | Transfers   | Ending<br>Balance    |
|--|----------------------|----------------------|------------------------|-------------|----------------------|
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 3,171,162         | \$ 1,250,000         | \$ -                   | \$ -        | \$ 4,421,162         |
| Endowment earnings   | 1,543,917            | 762,423              | (312,000)              | -           | 1,994,340            |
| Time restrictions  | 987,950              | 284,484              | (729,437)              | (123,125)   | 419,872              |
| Purpose restrictions   | 1,362,768            | 1,172,024            | (1,938,218)            | 419,323     | 1,015,897            |
| Capital improvements   | 3,932,220            | 13,752,195           | (15,023,236)           | -           | 2,661,179            |
| Other  | 296,198              | -                    | -                      | (296,198)   | -                    |
| <b>Total</b>   | <b>\$ 11,294,215</b> | <b>\$ 17,221,126</b> | <b>\$ (18,002,891)</b> | <b>\$ -</b> | <b>\$ 10,512,450</b> |

Changes in net assets with donor restrictions consist of the following for the year ended June 30, 2023:

|  | Beginning<br>Balance | Additions           | Releases              | Ending<br>Balance    |
|--|----------------------|---------------------|-----------------------|----------------------|
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 2,921,162         | \$ 250,000          | \$ -                  | \$ 3,171,162         |
| Endowment earnings   | 1,282,219            | 461,698             | (200,000)             | 1,543,917            |
| Time restrictions  | 1,391,221            | 381,079             | (784,350)             | 987,950              |
| Purpose restrictions   | 214,273              | 2,354,734           | (1,206,239)           | 1,362,768            |
| Capital improvements   | 427,296              | 4,639,848           | (1,134,924)           | 3,932,220            |
| Other  | 296,198              | -                   | -                     | 296,198              |
| <b>Total</b>   | <b>\$ 6,532,369</b>  | <b>\$ 8,087,359</b> | <b>\$ (3,325,513)</b> | <b>\$ 11,294,215</b> |

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 9. Liquidity and Availability of Financial Resources:

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, comprise the following at June 30:

|  | 2024         | 2023          |
|--|--------------|---------------|
| Financial assets available within one year:  |              |               |
| Cash and cash equivalents  | \$ 3,454,686 | \$ 7,619,798  |
| Restricted cash  | 192,150      | 192,150       |
| Certificates of deposit  | -            | 269,546       |
| Accounts receivable, net   | 311,376      | 344,913       |
| Grants and contributions receivable, net   | 3,456,718    | 4,139,809     |
| Endowment investments  | 11,649,352   | 10,178,927    |
| Other investments  | 7,585,098    | 11,792,157    |
| Total  | 26,649,380   | 34,537,300    |
| Less net assets with donor restrictions (see Note 8)                                   | (10,512,450) | (11,294,215)  |
| Less grants and contributions receivables to be collected in more than one year        | (1,385,912)  | (1,061,228)   |
| Less board designated assets   | (5,233,850)  | (5,463,848)   |
| Less restricted cash   | (192,150)    | (192,150)     |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 9,325,018 | \$ 16,525,859 |

The board designated endowment of \$5,233,850 at June 30, 2024 and \$5,463,848 at June 30, 2023, is held for spending at the board's discretion. Although the Organization does not intend to spend from these funds in the next year, they could be made available for general expenditures with the board's approval, if necessary.

#### 10. 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 2024, the total of product distributed amounted to 34,930,078 pounds, which was distributed through 289 member agencies. In 2023, the total of products distributed was 32,844,615 pounds, which was distributed through 297 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$68,806,325 for 2024 and \$63,386,501 for 2023. Food discarded on the Statements of Functional Expenses represents spoilage in food.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 11. 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 21 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 after completing 3 years of service. The Organization's contributions to the Plan amounted to \$328,084 in 2024 and \$268,531 in 2023.

#### 12. Commitments and Contingencies:

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.

#### 13. Allocation of Joint Costs:

The Organization incurred joint costs of \$507,409 in 2024 and \$436,998 in 2023 for informational materials and activities that included fund-raising appeals. In 2024, of these costs, \$436,493 was allocated to fund-raising expenses, \$66,485 was allocated to program services, and \$4,431 was allocated to management and general expenses. In 2023, of these costs, \$368,103 was allocated to fund-raising expenses, \$64,340 was allocated to program services, and \$4,555 was allocated to management and general expenses.

#### 14. Endowment Funds:

The Organization 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

#### 14. 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, 2024 and 2023.



## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 14. Endowment Funds, Continued:

**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.

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.

**FEED MORE, INC.**

Notes to Financial Statements, Continued

**14. Endowment Funds, Continued:**

Endowment net asset composition by type of fund was as follows at June 30, 2024:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Board quasi-endowment funds  | \$ 5,233,850                  | \$ -                       | \$ 5,233,850  |
| Donor-restricted endowment funds:  |                               |                            |               |
| Original donor-restricted gift amount<br>and amounts required to be<br>maintained in perpetuity by donor | -                             | 4,421,162                  | 4,421,162     |
| Accumulated investment gains   | -                             | 1,994,340                  | 1,994,340     |
|  | \$ 5,233,850                  | \$ 6,415,502               | \$ 11,649,352 |

Endowment net asset composition by type of fund was as follows at June 30, 2023:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Board quasi-endowment funds  | \$ 5,463,848                  | \$ -                       | \$ 5,463,848  |
| Donor-restricted endowment funds:  |                               |                            |               |
| Original donor-restricted gift amount<br>and amounts required to be<br>maintained in perpetuity by donor | -                             | 3,171,162                  | 3,171,162     |
| Accumulated investment gains   | -                             | 1,543,917                  | 1,543,917     |
|  | \$ 5,463,848                  | \$ 4,715,079               | \$ 10,178,927 |

The Organization reclassified in the current year a \$1 million donation received in 2021 from Board Designated Net Assets to Net Assets with Donor Restrictions to better align with the donor's intentions.

**FEED MORE, INC.**

Notes to Financial Statements, Continued

**14. Endowment Funds, Continued:**

Changes in endowment net assets were as follows:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Endowment net assets, July 1, 2022                   | \$ 4,925,675                  | \$ 4,203,381               | \$ 9,129,056  |
| Investment return:                                   |                               |                            |               |
| Investment income                                    | 113,473                       | 99,014                     | 212,487       |
| Unrealized and realized gain on<br>investments, net  | 417,200                       | 362,684                    | 779,884       |
| Total investment return                              | 530,673                       | 461,698                    | 992,371       |
| New gifts and designations                           | 7,500                         | 250,000                    | 257,500       |
| Appropriation of endowment<br>assets for expenditure | -                             | (200,000)                  | (200,000)     |
| Endowment net assets, June 30, 2023                  | \$ 5,463,848                  | \$ 4,715,079               | \$ 10,178,927 |
| Investment return:                                   |                               |                            |               |
| Investment income                                    | 121,705                       | 122,734                    | 244,439       |
| Unrealized and realized gain on<br>investments, net  | 648,297                       | 639,689                    | 1,287,986     |
| Total investment return                              | 770,002                       | 762,423                    | 1,532,425     |
| New gifts and designations                           | -                             | 250,000                    | 250,000       |
| Transfer of gifts and designations                   | (1,000,000)                   | 1,000,000                  | -             |
| Appropriation of endowment<br>assets for expenditure | -                             | (312,000)                  | (312,000)     |
| Endowment net assets, June 30, 2024                  | \$ 5,233,850                  | \$ 6,415,502               | \$ 11,649,352 |

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 15. 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, 2024 and 2023.

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).

Assets measured at fair value on a recurring basis at June 30, 2024, include the following:

|  | Fair Value Using |              | Assets        |
|--|------------------|--------------|---------------|
|  | Level 1          | Level 3      | at Fair Value |
| Assets:  |                  |              |               |
| Endowment investments:                             |                  |              |               |
| Bond ETFs and mutual funds                         | \$ 2,589,427     | \$ -         | \$ 2,589,427  |
| Cash and money market funds                        | 34,547           | -            | 34,547        |
| Equity ETFs and mutual funds                       | 9,025,378        | -            | 9,025,378     |
|  | 11,649,352       | -            | 11,649,352    |
| Other investments:                                 |                  |              |               |
| Cash and money market funds                        | 305,840          | -            | 305,840       |
| Bond funds, bond ETFs<br>and mutual funds          | 4,167,066        | -            | 4,167,066     |
| Equity securities, equity<br>ETFs and mutual funds | 3,112,192        | -            | 3,112,192     |
|  | 7,585,098        | -            | 7,585,098     |
| Donated food inventory                             | -                | 2,270,598    | 2,270,598     |
| Total  | \$ 19,234,450    | \$ 2,270,598 | \$ 21,505,048 |

**FEED MORE, INC.**

Notes to Financial Statements, Continued

**15. Fair Value Measurements, Continued:**

Assets measured at fair value on a recurring basis at June 30, 2023, include the following:

|  | <u>Fair Value Using</u> |                     | <u>Assets</u>        |
|--|-------------------------|---------------------|----------------------|
|  | <u>Level 1</u>          | <u>Level 3</u>      | <u>at Fair Value</u> |
| Assets:  |                         |                     |                      |
| Endowment investments:                             |                         |                     |                      |
| Bond ETFs and mutual funds                         | \$ 3,068,986            | \$ -                | \$ 3,068,986         |
| Cash and money market funds                        | 254,020                 | -                   | 254,020              |
| Equity ETFs and mutual funds                       | <u>6,855,921</u>        | <u>-</u>            | <u>6,855,921</u>     |
|  | <u>10,178,927</u>       | <u>-</u>            | <u>10,178,927</u>    |
| Other investments:                                 |                         |                     |                      |
| Cash and money market funds                        | 5,040,184               | -                   | 5,040,184            |
| Bond funds, bond ETFs<br>and mutual funds          | 4,184,167               | -                   | 4,184,167            |
| Equity securities, equity<br>ETFs and mutual funds | <u>2,567,806</u>        | <u>-</u>            | <u>2,567,806</u>     |
|  | <u>11,792,157</u>       | <u>-</u>            | <u>11,792,157</u>    |
| Donated food inventory                             | <u>-</u>                | <u>1,664,730</u>    | <u>1,664,730</u>     |
| Total  | <u>\$ 21,971,084</u>    | <u>\$ 1,664,730</u> | <u>\$ 23,635,814</u> |

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

|                          | <u>Donated Food<br/>Inventory</u> |
|--------------------------|-----------------------------------|
| Balance at July 1, 2022  | \$ 1,644,064                      |
| Donated food             | 63,800,545                        |
| Food distributed         | (63,386,501)                      |
| Food discarded           | <u>(393,378)</u>                  |
| Balance at June 30, 2023 | 1,664,730                         |
| Donated food             | 70,057,011                        |
| Food distributed         | (68,806,325)                      |
| Food discarded           | <u>(644,818)</u>                  |
| Balance at June 30, 2024 | <u>\$ 2,270,598</u>               |

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 16. New Operating Facilities:

During 2024, the Organization continued its plan to build a 105,000 square-foot distribution warehouse to relocate its current operational facilities. Construction began in August 2023 and was completed during October 2024. Capitalized costs related to the new building totaled \$33.3 million during the year ended June 30, 2024. The Organization expects to incur an additional \$10.9 million in capitalized costs to complete the building.

The Organization is funding the project through a capital campaign, grants, Board designated funds, anticipated proceeds from sale of existing property, and bank financing. The Organization has received \$18.8 million in capital campaign grants and contributions through June 30, 2024, of which \$2.6 million is included in grants and contributions receivable on June 30, 2024. The Organization used \$11.1 million in Board designated funds for the project.

The Organization has a signed contract for the sale of the existing property with an anticipated closing date in February 2025. Fixed assets associated with the property sale totaling \$8.3 million were recorded as property held for sale in March 2024.