

F E E D M O R E

Financial Statements

June 30, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update ("ASU") 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). As a result of this adoption, net assets are now presented as net assets without donor restrictions and net assets with donor restrictions. In addition, there are additional disclosures related to an analysis of expenses by function and nature, and disclosures of quantitative and qualitative information regarding liquidity and availability of resources. In addition and as discussed in Note 2 to the financial statements, the Organization early adopted ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities for the rights and obligations created by leases. Our opinion is not modified with respect to this matter.

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 19, 2019, 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 19, 2019
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 4,639,275	\$ 4,909,105
Certificates of deposit	770,822	3,046,632
Accounts receivable, net	189,859	120,268
Grants and contributions receivable, net	1,981,071	1,352,939
Prepaid expenses	74,498	67,498
Inventory	2,035,873	1,798,952
Property and equipment, net	12,261,128	11,484,712
Right of use asset	213,835	-
Endowment investments	4,395,853	4,200,212
Other investments	2,339,765	-
Other assets	<u>27,415</u>	<u>25,371</u>
	<u>\$ 28,929,394</u>	<u>\$ 27,005,689</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 351,363	\$ 841,561
Accrued expenses	533,619	551,418
Lease obligation	213,835	-
Deferred revenue	<u>80,595</u>	<u>75,084</u>
Total liabilities	<u>1,179,412</u>	<u>1,468,063</u>
 Net assets:		
Without donor restrictions:		
Undesignated	20,306,397	19,746,803
Board designated	<u>813,916</u>	<u>624,065</u>
Total without donor restrictions	21,120,313	20,370,868
With donor restrictions	<u>6,629,669</u>	<u>5,166,758</u>
Total net assets	<u>27,749,982</u>	<u>25,537,626</u>
	<u>\$ 28,929,394</u>	<u>\$ 27,005,689</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions				
	Undesignated	Board Designated	With Donor Restrictions	Total	
Revenues and other support:					
Program fees	\$ 1,173,990	\$ -	\$ -	\$ 1,173,990	
Government fees	2,709,126	-	-	2,709,126	
Government grants	74,506	-	192,900	267,406	
Membership fees	20,604	-	-	20,604	
Board and individual donations	2,705,170	150,000	430,788	3,285,958	
Direct mail contributions	1,133,877	-	-	1,133,877	
Civic organization contributions	287,254	-	239,849	527,103	
Foundation grants and contributions	1,854,436	-	1,632,000	3,486,436	
Corporate and other contributions	905,814	-	674,848	1,580,662	
Special events, net of \$129,495 of expenses	143,944	-	-	143,944	
Miscellaneous income	6,618	-	-	6,618	
Interest and dividends	87,585	24,268	106,907	218,760	
Donated foods received	<u>46,637,809</u>	<u>-</u>	<u>-</u>	<u>46,637,809</u>	
Total revenues and other support	<u>57,740,733</u>	<u>174,268</u>	<u>3,277,292</u>	<u>61,192,293</u>	
Amounts released from restrictions	<u>1,891,272</u>	<u>-</u>	<u>(1,891,272)</u>	<u>-</u>	
Expenses:					
Program services	56,914,808	-	-	56,914,808	
Management and general	736,933	-	-	736,933	
Fund-raising	<u>1,415,915</u>	<u>-</u>	<u>-</u>	<u>1,415,915</u>	
Total expenses	<u>59,067,656</u>	<u>-</u>	<u>-</u>	<u>59,067,656</u>	
Unrealized and realized gain on investments, net	-	15,583	76,891	92,474	
Loss on sale of equipment	<u>(4,755)</u>	<u>-</u>	<u>-</u>	<u>(4,755)</u>	
Change in net assets	559,594	189,851	1,462,911	2,212,356	
Net assets, beginning of year	<u>19,746,803</u>	<u>624,065</u>	<u>5,166,758</u>	<u>25,537,626</u>	
Net assets, end of year	<u>\$20,306,397</u>	<u>\$ 813,916</u>	<u>\$ 6,629,669</u>	<u>\$27,749,982</u>	

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>		With Donor Restrictions	Total
	<u>Undesignated</u>	Board <u>Designated</u>		
Revenues and other support:				
Program fees	\$ 1,210,363	\$ -	\$ -	\$ 1,210,363
Government fees	3,264,123	-	-	3,264,123
Government grants	3,255	-	192,900	196,155
Membership fees	17,650	-	-	17,650
Board and individual donations	4,205,116	-	147,369	4,352,485
Direct mail contributions	1,220,184	-	-	1,220,184
Civic organization contributions	457,172	-	46,094	503,266
Foundation grants and contributions	1,433,489	-	241,744	1,675,233
Corporate and other contributions	1,114,973	-	474,313	1,589,286
Special events, net of \$70,151 of expenses	145,484	-	-	145,484
Miscellaneous income	4,625	-	-	4,625
Interest and dividends	39,749	15,975	91,547	147,271
Donated foods received	<u>44,934,357</u>	<u>-</u>	<u>-</u>	<u>44,934,357</u>
Total revenues and other support	<u>58,050,540</u>	<u>15,975</u>	<u>1,193,967</u>	<u>59,260,482</u>
Amounts released from restrictions	<u>2,043,883</u>	<u>-</u>	<u>(2,043,883)</u>	<u>-</u>
Expenses:				
Program services	56,506,592	-	-	56,506,592
Management and general	787,901	-	-	787,901
Fund-raising	<u>1,275,571</u>	<u>-</u>	<u>-</u>	<u>1,275,571</u>
Total expenses	<u>58,570,064</u>	<u>-</u>	<u>-</u>	<u>58,570,064</u>
Unrealized and realized gain on investments, net	-	10,295	61,480	71,775
Loss on sale of equipment	(6,118)	-	-	(6,118)
Rental income	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Change in net assets	1,528,241	26,270	(788,436)	766,075
Net assets, beginning of year	<u>18,218,562</u>	<u>597,795</u>	<u>5,955,194</u>	<u>24,771,551</u>
Net assets, end of year	<u>\$ 19,746,803</u>	<u>\$ 624,065</u>	<u>\$ 5,166,758</u>	<u>\$ 25,537,626</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,855,379	\$ 489,521	\$ 452,530	\$ 4,797,430
Employee taxes and benefits	1,121,998	109,343	112,630	1,343,971
Total salaries and benefits	4,977,377	598,864	565,160	6,141,401
Advertising	184,292	74	181,602	365,968
Agency grants	294,319	-	-	294,319
Food purchases	1,950,417	-	-	1,950,417
Mailing house services	-	-	424,424	424,424
Occupancy	337,877	7,365	14,112	359,354
Office supplies	215,853	30,634	34,712	281,199
Off-site storage	127,580	-	-	127,580
Other administrative	157,559	26,450	55,216	239,225
Professional fees	136,269	38,202	84,759	259,230
Repairs and maintenance	377,649	2,496	9,241	389,386
Supplies	349,791	1,578	1,148	352,517
Temporary labor	136,121	2,396	1,786	140,303
Transportation	307,307	2,495	7,599	317,401
Total expenses before depreciation, donated foods distributed, and food discarded	9,552,411	710,554	1,379,759	11,642,724
Depreciation	861,564	26,379	36,156	924,099
Donated foods distributed	45,433,629	-	-	45,433,629
Food discarded	1,067,204	-	-	1,067,204
Total expenses	\$ 56,914,808	\$ 736,933	\$ 1,415,915	\$ 59,067,656

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses Year Ended June 30, 2018

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,777,035	\$ 505,978	\$ 441,514	\$ 4,724,527
Employee taxes and benefits	1,129,369	145,059	134,309	1,408,737
Total salaries and benefits	4,906,404	651,037	575,823	6,133,264
Advertising	141,075	-	140,145	281,220
Agency grants	333,872	-	-	333,872
Food purchases	2,725,582	-	-	2,725,582
Mailing house services	-	-	323,547	323,547
Occupancy	314,138	7,441	12,334	333,913
Office supplies	220,926	28,334	48,944	298,204
Off-site storage	147,011	-	-	147,011
Other administrative	192,877	30,343	47,840	271,060
Professional fees	129,865	39,000	67,742	236,607
Repairs and maintenance	431,311	3,046	9,955	444,312
Supplies	342,207	2,170	18,378	362,755
Temporary labor	135,906	835	2,375	139,116
Transportation	311,566	4,058	4,526	320,150
Total expenses before depreciation, donated foods distributed, and food discarded	10,332,740	766,264	1,251,609	12,350,613
Depreciation	760,869	21,637	23,962	806,468
Donated foods distributed	44,021,371	-	-	44,021,371
Food discarded	1,391,612	-	-	1,391,612
Total expenses	<u>\$ 56,506,592</u>	<u>\$ 787,901</u>	<u>\$ 1,275,571</u>	<u>\$ 58,570,064</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,212,356	\$ 766,075
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	924,099	806,468
Amortization of right of use asset	7,382	-
Non-cash operating lease expense	(7,382)	-
Loss on sale of equipment	4,755	6,118
Unrealized and realized gain on investments, net	(92,474)	(71,775)
(Increase) decrease in donated in-kind inventory	(136,976)	478,627
Net book value of equipment donated to partner agency	-	56,425
Changes in operating assets and liabilities:		
Accounts receivable, net	(69,591)	39,465
Grants and contributions receivable, net	(628,132)	875,547
Prepaid expenses	(7,000)	69,069
Inventory	(99,945)	(9,209)
Other assets	(2,044)	(2,762)
Accounts payable	(490,198)	335,276
Accrued expenses	(17,799)	(34,456)
Deferred revenue	5,511	(3,755)
	<u>1,602,562</u>	<u>3,311,113</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of equipment	6,250	14,015
Purchase of property and equipment	(1,711,520)	(1,470,219)
Proceeds from sale and maturities of investments and certificates of deposit	2,454,318	170,303
Purchases of investments and certificates of deposit	<u>(2,621,440)</u>	<u>(141,940)</u>
	<u>(1,872,392)</u>	<u>(1,427,841)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(269,830)	1,883,272
Cash and cash equivalents, beginning of year	<u>4,909,105</u>	<u>3,025,833</u>
Cash and cash equivalents, end of year	<u>\$ 4,639,275</u>	<u>\$ 4,909,105</u>
Supplemental disclosure of cash flow information:		
Non-cash transactions		
Acquisition of right of use asset through operating lease obligation	<u>\$ 221,217</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:**

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 \$7,500 at June 30, 2019 and June 30, 2018.

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, 2019 and 2018, 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 rate for the present value discount on contributions receivable at June 30, 2019 was 1.92%, and for year ended June 30, 2018 was 2.33%. Conditional promises are recognized as revenue when donor stipulations are substantially met. At June 30, 2019, there was one conditional promise to give for \$500,000 which will be recorded when donor specifications are met. At June 30, 2018, there was one conditional promise to give for \$750,000 which was recorded in fiscal year 2019.

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 \$1.62 at June 30, 2019 and \$1.68 at June 30, 2018, 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 \$1,694,647 as of June 30, 2019 and \$1,557,671 as of June 30, 2018.

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 \$341,226 as of June 30, 2019 and \$241,281 as of June 30, 2018. As of June 30, 2019 and June 30, 2018, 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, 2019 and 2018. The Organization is not currently under audit by any tax jurisdiction.

Net Assets: The Organization classifies its net assets into two categories: net assets without donor restrictions and net assets with 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 classified 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 \$813,916 at June 30, 2019 and \$624,065 at June 30, 2018. Total net assets without donor restrictions were \$21,120,313 at June 30, 2019 and \$20,370,868 at June 30, 2018.

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, 2019, net assets with donor restrictions include cash and investments of \$4,843,849, grant and contributions receivables of \$1,781,997, and prepaid expenses of \$3,823. At June 30, 2018, net assets with donor restrictions include cash and investments of \$3,959,538, grants and contribution receivables of \$1,199,536, and prepaid expenses of \$7,684.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: 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, 2019, net assets with permanent donor restrictions include investments of \$2,419,162. At June 30, 2018, net assets with permanent donor restrictions include investments of \$2,418,662. 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 13).

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as amounts 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. These shared program fees amounted to \$526,085 during 2019 and \$569,477 during 2018.

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 \$246,303 during 2019 and \$254,355 during 2018.

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 \$129,930 during 2019 and \$133,699 during 2018.

The Community Kitchen delivers subsidized meals to other community organizations. These program fees amounted to \$271,672 during 2019 and \$252,832 during 2018.

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 benefited. Certain attributable costs that are not readily identified as benefiting a functional area are charged 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.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

New Accounting Guidance: In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019, with the presentation shown retrospectively. The adoption did not have a material impact on the financial statements.

In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standards require entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of the rental payments. The Organization has early adopted this ASU as of and for the year ended June 30, 2019, using the modified retrospective approach to the earliest period presented.

Reclassification: Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through September 19, 2019, 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 (1.92% for 2019 and 2.33% for 2018) 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>2019</u>	<u>2018</u>
Less than one year	\$ 1,503,083	\$ 1,227,677
One year to five years	<u>487,345</u>	<u>128,250</u>
	1,990,428	1,355,927
Less discount for net present value	<u>(9,357)</u>	<u>(2,988)</u>
Net grants and contributions receivable	<u>\$ 1,981,071</u>	<u>\$ 1,352,939</u>

4. Property and Equipment:

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

	<u>2019</u>	<u>2018</u>
Land	\$ 604,820	\$ 604,820
Buildings	13,046,492	11,421,715
Automotive	1,701,472	1,354,911
Furniture and equipment	4,293,165	4,092,155
Construction in progress	<u>23,842</u>	<u>764,313</u>
	19,669,791	18,237,914
Less accumulated depreciation	<u>7,408,663</u>	<u>6,753,202</u>
Net property and equipment	<u>\$ 12,261,128</u>	<u>\$ 11,484,712</u>

Depreciation expense was \$924,099 for 2019 and \$806,468 for 2018.

During 2018, the Organization donated equipment to a partner agency with a net book value of \$56,425. This amount is included in agency grants in the accompanying Statement of Functional Expenses for the year ended June 30, 2018.

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. The Organization has the option to extend the lease for two consecutive two year periods with an increase of 3% for each renewal term, however this option is not recognized in the right of use asset and liability amounts. In accordance with ASU 2016-02, a right of use asset and lease liability were recorded at the time of lease commencement based on the present value of the future lease payments using a discount rate of 2.31%. As of June 30, 2019, the right of use asset and the lease liability totaled \$213,835.

Future maturities of the operating lease obligation as of June 30, 2019 are as follows:

Year	Amount
2020	\$ 46,800
2021	46,800
2022	46,800
2023	46,800
2024	39,000
	226,200
Less: discount to present value	(12,365)
	\$ 213,835

Total operating lease expense was \$7,800 for 2019.

6. Endowment Investments:

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

	2019		2018	
	Cost	Market Value	Cost	Market Value
Money market funds	\$ 133,367	\$ 133,367	\$ 208,446	\$ 208,446
Bond funds	1,572,903	1,593,939	1,531,493	1,492,108
Equity securities	1,162,065	1,292,875	1,278,599	1,417,008
Mutual funds	705,041	789,286	660,568	792,610
Exchange traded funds	582,521	586,386	292,636	290,040
	\$ 4,155,897	\$ 4,395,853	\$ 3,971,742	\$ 4,200,212

FEED MORE, INC.

Notes to Financial Statements, Continued

6. Endowment Investments, Continued:

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2019 and 2018, the investments were held with Charles Schwab Institutional (see Note 13).

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

	2019	2018
Interest and dividends	\$ 131,175	\$ 107,522
Realized/unrealized gain, net	92,474	71,775
	\$ 223,649	\$ 179,297

7. Net Assets with Donor Restrictions:

Changes in net assets with donor restrictions consist of the following for the year ended June 30, 2019:

	Beginning Balance	Additions	Releases	Ending Balance
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,418,662	\$ 500	\$ -	\$ 2,419,162
Endowment earnings	1,157,485	183,798	(178,508)	1,162,775
Time restrictions	321,000	1,396,700	(501,242)	1,216,458
Capital improvements	875,328	325,000	(525,704)	674,624
Agency support	101,500	921,778	(66,000)	957,278
Other	292,783	526,407	(619,818)	199,372
Total	\$ 5,166,758	\$ 3,354,183	\$ (1,891,272)	\$ 6,629,669

FEED MORE, INC.

Notes to Financial Statements, Continued

7. Net Assets with Donor Restrictions, Continued:

Changes in net assets with donor restrictions consist of the following for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,418,162	\$ 500	\$ -	\$ 2,418,662
Endowment earnings	1,174,761	153,027	(170,303)	1,157,485
Time restrictions	464,134	275,794	(418,928)	321,000
Capital improvements	1,316,700	430,000	(871,372)	875,328
Agency support	201,605	34,000	(134,105)	101,500
Other	<u>379,832</u>	<u>362,126</u>	<u>(449,175)</u>	<u>292,783</u>
 Total	 <u>\$ 5,955,194</u>	 <u>\$ 1,255,447</u>	 <u>\$ (2,043,883)</u>	 <u>\$ 5,166,758</u>

8. 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 Statement of Financial Position date, comprise the following at June 30, 2019:

Financial assets available within one year:	
Cash and cash equivalents	\$ 4,639,275
Certificates of deposit	770,822
Accounts receivable, net	189,859
Grants and contributions receivable, net	1,981,071
Endowment investments	4,395,853
Other investments	<u>2,339,765</u>
 Total	 <u>14,316,645</u>
Less net assets with donor restrictions (see Note 7)	(6,629,669)
Less grants and contributions receivables to be collected in more than one year	(477,988)
Less board designated assets	<u>(813,916)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,395,072</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

8. **Liquidity and Availability of Financial Resources, Continued:**

The board designated endowment of \$813,916 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.

9. **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 2019, the total of product distributed amounted to 28,014,918 pounds, which was distributed through 249 member agencies. In 2018, the total of products distributed was 26,184,008 pounds, which was distributed through 260 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$45,433,629 for 2019 and \$44,021,371 for 2018. Food discarded on the Statement of Functional Expenses represents food resulting from spoilage.

10. **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 \$186,106 in 2019 and \$198,348 in 2018.

11. **Commitments and Contingencies:**

The Organization leased certain advertising space on the Organization's building to an unrelated party. The lease called for monthly payments to the Organization of \$1,250. The total rental income from this lease was \$10,000 for 2018. The month to month agreement terminated during 2018.

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.

FEED MORE, INC.

Notes to Financial Statements, Continued

12. Allocation of Joint Costs:

The Organization incurred joint costs of \$585,584 in 2019 and \$464,929 in 2018 for informational materials and activities that included fund-raising appeals. In 2019, of these costs, \$494,512 was allocated to fund-raising expenses, \$87,310 was allocated to program services, and \$3,762 was allocated to management and general expenses. In 2018, of these costs, \$385,278 was allocated to fund-raising expenses, \$75,032 was allocated to program services, and \$4,619 was allocated to management and general expenses.

13. 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.

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 net assets with donor restrictions (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 donor restricted endowment funds that are not required to be held into perpetuity are reclassified to net assets without donor restrictions when those amounts are 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

FEED MORE, INC.

Notes to Financial Statements, Continued

13. Endowment Funds, Continued:

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, 2019 and 2018.

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

13. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board quasi-endowment funds	\$ 813,916	\$ -	\$ 813,916
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,419,162	2,419,162
Accumulated investment gains	<u>-</u>	<u>1,162,775</u>	<u>1,162,775</u>
	<u>\$ 813,916</u>	<u>\$ 3,581,937</u>	<u>\$ 4,395,853</u>

Endowment net asset composition by type of fund was as follows at June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board quasi-endowment funds	\$ 624,065	\$ -	\$ 624,065
Donor-restricted endowment funds:			
Original-donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,418,662	2,418,662
Accumulated investment gains	<u>-</u>	<u>1,157,485</u>	<u>1,157,485</u>
	<u>\$ 624,065</u>	<u>\$ 3,576,147</u>	<u>\$ 4,200,212</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

13. Endowment Funds, Continued:

Changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	<u>\$ 597,795</u>	<u>\$ 3,592,923</u>	<u>\$ 4,190,718</u>
Investment return:			
Investment income	15,975	91,547	107,522
Unrealized and realized gain on investments, net	<u>10,295</u>	<u>61,480</u>	<u>71,775</u>
Total investment return	<u>26,270</u>	<u>153,027</u>	<u>179,297</u>
New gifts	<u>-</u>	<u>500</u>	<u>500</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(170,303)</u>	<u>(170,303)</u>
Endowment net assets, June 30, 2018	<u>\$ 624,065</u>	<u>\$ 3,576,147</u>	<u>\$ 4,200,212</u>
Investment return:			
Investment income	24,268	106,907	131,175
Unrealized and realized gain on investments, net	<u>15,583</u>	<u>76,891</u>	<u>92,474</u>
Total investment return	<u>39,851</u>	<u>183,798</u>	<u>223,649</u>
New gifts	<u>150,000</u>	<u>500</u>	<u>150,500</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(178,508)</u>	<u>(178,508)</u>
Endowment net assets, June 30, 2019	<u>\$ 813,916</u>	<u>\$ 3,581,937</u>	<u>\$ 4,395,853</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

14. 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, 2019 and 2018.

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).

FEED MORE, INC.

Notes to Financial Statements, Continued

14. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2019, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Money market funds	\$ 133,367	\$ -	\$ 133,367
Bond funds	1,593,939	-	1,593,939
Equity securities	1,292,875	-	1,292,875
Mutual funds	789,286	-	789,286
Exchange traded funds	586,386	-	586,386
	4,395,853	-	4,395,853
Other investments:			
Money market funds	455,344	-	455,344
Bond funds	1,221,264	-	1,221,264
Equity securities	663,157	-	663,157
	2,339,765	-	2,339,765
Donated food inventory	-	1,694,647	1,694,647
Total	\$ 6,735,618	\$ 1,694,647	\$ 8,430,265

Assets measured at fair value on a recurring basis at June 30, 2018, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Money market funds	\$ 208,446	\$ -	\$ 208,446
Bond funds	1,492,108	-	1,492,108
Equity securities	1,417,008	-	1,417,008
Mutual funds	792,610	-	792,610
Exchange traded funds	290,040	-	290,040
	4,200,212	-	4,200,212
Donated food inventory	-	1,557,671	1,557,671
Total	\$ 4,200,212	\$ 1,557,671	\$ 5,757,883

FEED MORE, INC.

Notes to Financial Statements, Continued

14. 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 July 1, 2017	\$ 2,036,297
Donated food	44,934,357
Food distributed	(44,021,371)
Food discarded	<u>(1,391,612)</u>
Balance at June 30, 2018	1,557,671
Donated food	46,637,809
Food distributed	(45,433,629)
Food discarded	<u>(1,067,204)</u>
Balance at June 30, 2019	<u>\$ 1,694,647</u>

SUPPLEMENTAL INFORMATION

FEED MORE, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through To Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Programs from: Virginia Department of Agriculture and Consumer Services:				
Emergency Food Assistance Program	10.568 & 10.569	67-300	\$ 2,561,792	\$ 2,928,265
Commodity Supplemental Food Program	10.565	67-300	<u>1,036,768</u>	<u>1,411,675</u>
Total Emergency Food Assistance Program Cluster			3,598,560	<u>4,339,940</u>
Virginia Department of Education:				
Child and Adult Care Food Program	10.558	67-300		809,280
Summer Food Service Program	10.559	67-300		<u>385,499</u>
Total Virginia Department of Education:				<u>1,194,779</u>
Total U. S. Department of Agriculture				<u>5,534,719</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		490,901
Piedmont Senior Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Unknown		189,148
Jefferson Area Board of Aging Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Unknown		868
Crater District Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Unknown		<u>93,880</u>
Total Special Programs for the Aging - Title III, Part C - Nutrition Services				<u>774,797</u>
Total U.S. Department of Health and Human Services				<u>774,797</u>
Total			<u>\$ 3,598,560</u>	<u>\$ 6,309,516</u>

See report of independent accountants.

FEED MORE, INC.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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 2019 is as follows:

Emergency Food Assistance Program	\$ 2,561,792
Commodity Supplemental Food Program	1,036,768
Summer Food Service Program	<u>1,829</u>
Total	<u>\$ 3,600,389</u>

As of June 30, 2019 the Organization had the following nonmonetary inventory:

Emergency Food Assistance Program	\$ 496,400
Commodity Supplemental Food Program	483,109
Summer Food Service Program	<u>3,038</u>
Total	<u>\$ 982,547</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, 2019, 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 19, 2019.

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 long, sweeping horizontal stroke extending to the right.

September 19, 2019
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, 2019. 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, 2019.

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 19, 2019
Glen Allen, Virginia

FEED MORE, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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

- (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, 2019

Not Applicable

FEED MORE, INC.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

None