

F E E D M O R E

Financial Statements

June 30, 2020 and 2019



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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, 2020 and 2019, 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. 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, 2020 and 2019, 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.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized, flowing script.

September 23, 2020
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 9,282,324	\$ 4,639,275
Certificates of deposit	509,462	770,822
Accounts receivable, net	218,819	189,859
Grants and contributions receivable, net	1,153,591	1,981,071
Prepaid expenses	115,805	74,498
Inventory	2,861,984	2,035,873
Property and equipment, net	13,047,460	12,261,128
Right of use asset	171,529	213,835
Endowment investments	4,745,906	4,395,853
Other investments	2,317,492	2,339,765
Other assets	25,207	27,415
	<u>\$ 34,449,579</u>	<u>\$ 28,929,394</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 371,467	\$ 351,363
Accrued expenses	611,280	533,619
Lease obligation	171,529	213,835
Deferred revenue	100,141	80,595
Loan payable	1,017,300	-
	<u>2,271,717</u>	<u>1,179,412</u>
Total liabilities		
Net assets:		
Without donor restrictions:		
Undesignated	25,922,900	20,306,397
Board designated	1,315,964	813,916
	<u>27,238,864</u>	<u>21,120,313</u>
Total without donor restrictions		
With donor restrictions	4,938,998	6,629,669
	<u>32,177,862</u>	<u>27,749,982</u>
Total net assets		
	<u>\$ 34,449,579</u>	<u>\$ 28,929,394</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>		With Donor Restrictions	<u>Total</u>
	<u>Undesignated</u>	Board Designated		
Revenues and other support:				
Program fees	\$ 935,082	\$ -	\$ -	\$ 935,082
Government fees	3,772,891	-	-	3,772,891
Government grants	402	-	45,000	45,402
Membership fees	19,910	-	-	19,910
Board and individual donations	4,812,558	511,548	97,334	5,421,440
Direct mail contributions	1,988,445	-	-	1,988,445
Civic organization contributions	415,774	-	29,500	445,274
Foundation grants and contributions	2,627,863	-	931,529	3,559,392
Corporate and other contributions	1,492,107	-	1,206,086	2,698,193
Miscellaneous income	7,549	-	-	7,549
Interest and dividends	101,018	26,909	87,074	215,001
Donated foods received	<u>55,487,406</u>	<u>-</u>	<u>-</u>	<u>55,487,406</u>
Total revenues and other support	<u>71,661,005</u>	<u>538,457</u>	<u>2,396,523</u>	<u>74,595,985</u>
Amounts released from restrictions	<u>4,009,099</u>	<u>-</u>	<u>(4,009,099)</u>	<u>-</u>
Expenses:				
Program services	67,659,967	-	-	67,659,967
Management and general	908,501	-	-	908,501
Fund-raising	<u>1,434,811</u>	<u>-</u>	<u>-</u>	<u>1,434,811</u>
Total expenses	<u>70,003,279</u>	<u>-</u>	<u>-</u>	<u>70,003,279</u>
Unrealized and realized loss on investments, net	(69,514)	(36,409)	(78,095)	(184,018)
Gain on sale of equipment	<u>19,192</u>	<u>-</u>	<u>-</u>	<u>19,192</u>
Change in net assets	5,616,503	502,048	(1,690,671)	4,427,880
Net assets, beginning of year	<u>20,306,397</u>	<u>813,916</u>	<u>6,629,669</u>	<u>27,749,982</u>
Net assets, end of year	<u>\$ 25,922,900</u>	<u>\$ 1,315,964</u>	<u>\$ 4,938,998</u>	<u>\$32,177,862</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
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 Functional Expenses Year Ended June 30, 2020

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 4,217,639	\$ 535,266	\$ 449,825	\$ 5,202,730
Employee taxes and benefits	<u>1,148,246</u>	<u>114,296</u>	<u>121,713</u>	<u>1,384,255</u>
Total salaries and benefits	5,365,885	649,562	571,538	6,586,985
Advertising	125,116	-	117,157	242,273
Agency grants	1,111,823	-	-	1,111,823
Food purchases	1,997,709	-	-	1,997,709
Mailing house services	-	-	474,338	474,338
Occupancy	425,383	7,065	14,798	447,246
Office supplies	236,564	31,473	49,061	317,098
Off-site storage	198,783	-	-	198,783
Other administrative	170,348	95,292	80,906	346,546
Professional fees	170,170	83,808	46,642	300,620
Repairs and maintenance	386,973	2,388	8,415	397,776
Supplies	473,592	3,899	6,784	484,275
Temporary labor	374,581	6,166	12,965	393,712
Transportation	<u>537,256</u>	<u>1,194</u>	<u>5,853</u>	<u>544,303</u>
Total expenses before depreciation, donated foods distributed, and food destroyed	11,574,183	880,847	1,388,457	13,843,487
Depreciation	1,072,416	27,654	46,354	1,146,424
Donated foods distributed	53,303,428	-	-	53,303,428
Food discarded	<u>1,709,940</u>	<u>-</u>	<u>-</u>	<u>1,709,940</u>
Total expenses	<u>\$ 67,659,967</u>	<u>\$ 908,501</u>	<u>\$ 1,434,811</u>	<u>\$ 70,003,279</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	<u>1,121,998</u>	<u>109,343</u>	<u>112,630</u>	<u>1,343,971</u>
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	<u>307,307</u>	<u>2,495</u>	<u>7,599</u>	<u>317,401</u>
Total expenses before depreciation, donated foods distributed, and food destroyed	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	<u>1,067,204</u>	<u>-</u>	<u>-</u>	<u>1,067,204</u>
Total expenses	<u>\$ 56,914,808</u>	<u>\$ 736,933</u>	<u>\$ 1,415,915</u>	<u>\$ 59,067,656</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statements of Cash Flows Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,427,880	\$ 2,212,356
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,146,424	924,099
(Gain) loss on sale of equipment	(19,192)	4,755
Unrealized and realized loss (gain) on investments, net	184,018	(92,474)
Increase in donated in-kind inventory	(474,037)	(136,976)
Changes in operating assets and liabilities:		
Accounts receivable, net	(28,960)	(69,591)
Grants and contributions receivable, net	827,480	(628,132)
Prepaid expenses	(41,307)	(7,000)
Inventory	(352,074)	(99,945)
Other assets	2,208	(2,044)
Accounts payable	20,104	(490,198)
Accrued expenses	77,661	(17,799)
Deferred revenue	19,546	5,511
	<u>5,789,751</u>	<u>1,602,562</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of equipment	25,757	6,250
Purchase of property and equipment	(1,939,321)	(1,711,520)
Reinvestment of dividends	(161,223)	-
Proceeds from sale and maturities of investments	423,331	178,508
Purchases of investments and certificates of deposit	(512,547)	(345,630)
	<u>(2,164,003)</u>	<u>(1,872,392)</u>
Net cash used in investing activities		
Cash flows provided by financing activities:		
Proceeds from loan payable	<u>1,017,300</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,643,048	(269,830)
Cash and cash equivalents, beginning of year	<u>4,639,275</u>	<u>4,909,105</u>
Cash and cash equivalents, end of year	<u>\$ 9,282,324</u>	<u>\$ 4,639,275</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.

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. The ultimate impact of COVID-19 on the Organization's financial statements is unknown at this time.

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, 2020 and June 30, 2019.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Grants and Contributions Receivable, Continued: 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.

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, 2020 and 2019, 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, 2020 was 0.16%, and for year ended June 30, 2019 was 1.92%. Conditional promises are recognized as revenue when donor stipulations are substantially met. At June 30, 2020 and 2019, there was one conditional promise to give for \$500,000 which will be recorded when donor specifications are met.

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 \$1.74 at June 30, 2020 and \$1.62 at June 30, 2019, 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 \$2,159,646 as of June 30, 2020 and \$1,694,647 as of June 30, 2019.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Inventory, Continued: 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 \$702,338 as of June 30, 2020 and \$341,226 as of June 30, 2019. As of June 30, 2020 and June 30, 2019, no valuation allowance was considered necessary.

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 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, 2020 and 2019. The Organization is not currently under audit by any tax jurisdiction.

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 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 \$1,315,964 at June 30, 2020 and \$813,916 at June 30, 2019. Total net assets without donor restrictions were \$27,238,864 at June 30, 2020 and \$21,120,313 at June 30, 2019.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: 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, 2020, net assets with donor restrictions include cash and investments of \$4,033,957, grant and contributions receivables of \$895,563, and prepaid expenses of \$9,478. 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.

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, 2020, net assets with permanent donor restrictions include investments of \$2,420,162. At June 30, 2019, net assets with permanent donor restrictions include investments of \$2,419,162. 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.

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 \$381,486 during 2020 and \$526,085 during 2019.

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 \$210,632 during 2020 and \$246,303 during 2019.

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 \$107,448 during 2020 and \$129,930 during 2019.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Program Fees, Continued:

The Community Kitchen delivers subsidized meals to other community organizations. These program fees amounted to \$226,413 during 2020 and \$271,672 during 2019.

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.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncement: In May 2014, the FASB issued new guidance over revenue recognition which eliminates all transition and industry specific accounting principles and replaces them with a unified, five step approach. The new standard will permit the use of either the retrospective reporting for previous periods or the cumulative effect transition method. The Organization is currently evaluating the reporting and economic implications of the new standard.

In June 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-05 which grants a one-year effective date delay for certain organizations to apply the revenue recognition. ASU 2020-05 permits private companies that have not yet applied the revenue recognition standard to do so for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. The Organization has elected to follow this guidance.

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 23, 2020, 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.

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 (0.16% for 2020 and 1.92% for 2019) which could be earned if such grants and contributions had been received in the current year.

FEED MORE, INC.

Notes to Financial Statements, Continued

3. Grants and Contributions Receivable, Continued:

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

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 931,320	\$ 1,503,083
One year to five years	<u>232,000</u>	<u>487,345</u>
	1,163,320	1,990,428
Less discount for net present value	<u>(9,728)</u>	<u>(9,357)</u>
Net grants and contributions receivable	<u>\$ 1,153,591</u>	<u>\$ 1,981,071</u>

4. Property and Equipment:

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

	<u>2020</u>	<u>2019</u>
Land	\$ 604,820	\$ 604,820
Buildings	13,169,433	13,046,492
Automotive	2,400,993	1,701,472
Furniture and equipment	5,022,484	4,293,165
Leasehold improvements	132,714	-
Construction in progress	<u>5,400</u>	<u>23,842</u>
	21,335,844	19,669,791
Less accumulated depreciation	<u>8,288,383</u>	<u>7,408,663</u>
Net property and equipment	<u>\$ 13,047,460</u>	<u>\$ 12,261,128</u>

Depreciation expense was \$1,146,424 for 2020 and \$924,099 for 2019.

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 payment using a discount rate of 2.31%. The right of use asset and the lease liability totaled \$171,529 at June 30, 2020 and \$213,835 at June 30, 2019.

Future maturities of the operating lease obligation as of June 30, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 46,800
2022	46,800
2023	46,800
2024	<u>39,000</u>
	179,400
Less: discount to present value	<u>(7,871)</u>
	<u>\$ 171,529</u>

Total operating lease expense was \$46,800 for 2020 and \$7,800 for 2019.

6. Loan Payable:

In response to the economic instability caused by COVID-19, the "CARES Act" was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

During April 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$1,017,300 with a maturity date of April 2022 and an interest rate of 1.00%. The Organization plans to apply for loan forgiveness once certain requirements for forgiveness are met. At June 30, 2020, the organization had accrued \$2,177 in interest expense associated with the loan.

FEED MORE, INC.

Notes to Financial Statements, Continued

7. Endowment Investments:

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

	2020		2019	
	Cost	Market Value	Cost	Market Value
Bond ETFs & Mutual Funds	\$ 675,959	\$ 676,625	\$ 1,572,904	\$ 1,593,939
Cash & Money Market	738,235	738,235	133,367	133,367
Equity ETFs & Mutual Funds	1,817,177	1,887,466	1,287,562	1,375,672
Individual Equities	<u>1,242,267</u>	<u>1,443,580</u>	<u>1,162,065</u>	<u>1,292,875</u>
	<u>\$ 4,473,639</u>	<u>\$ 4,745,906</u>	<u>\$ 4,155,897</u>	<u>\$ 4,395,853</u>

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2020 and 2019, the investments were held with Charles Schwab Institutional (see Note 14).

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

	2020	2019
Interest and dividends	\$ 215,001	\$ 131,175
Net realized/unrealized (loss) gain, net	<u>(184,018)</u>	<u>92,474</u>
	<u>\$ 30,983</u>	<u>\$ 223,649</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, 2020:

	<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	\$ 2,419,162	\$ 1,000	\$ -	\$ 2,420,162
Endowment earnings	1,162,775	8,977	(161,972)	1,009,780
Time restrictions	1,216,458	762,987	(1,328,536)	650,909
Purpose restrictions	-	789,078	(562,493)	226,585
Capital improvements	674,624	220,000	(670,890)	223,734
Agency support	957,278	-	(957,278)	-
Other	<u>199,372</u>	<u>536,386</u>	<u>(327,930)</u>	<u>407,828</u>
 Total	 <u>\$ 6,629,669</u>	 <u>\$ 2,318,428</u>	 <u>\$ (4,009,099)</u>	 <u>\$ 4,938,998</u>

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

	<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	\$ 2,418,662	\$ 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	<u>292,783</u>	<u>526,407</u>	<u>(619,818)</u>	<u>199,372</u>
 Total	 <u>\$ 5,166,758</u>	 <u>\$ 3,354,183</u>	 <u>\$ (1,891,272)</u>	 <u>\$ 6,629,669</u>

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:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 9,282,324	\$ 4,639,275
Certificates of deposit	509,462	770,822
Accounts receivable, net	218,819	189,859
Grants and contributions receivable, net	1,153,591	1,981,071
Endowment investments	4,745,906	4,395,853
Other investments	<u>2,317,492</u>	<u>2,339,765</u>
 Total	 <u>18,227,594</u>	 <u>14,316,645</u>
 Less net assets with donor restrictions (see Note 8)	 (4,938,998)	 (6,629,669)
Less grants and contributions receivables to be collected in more than one year	(222,272)	(477,988)
Less board designated assets	<u>(1,315,964)</u>	<u>(813,916)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 11,750,360</u>	 <u>\$ 6,395,072</u>

The board designated endowment of \$1,315,964 at June 30, 2020 and \$813,916 at June 30, 2019, 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 2020, the total of product distributed amounted to 30,610,583 pounds, which was distributed through 269 member agencies. In 2019, the total of products distributed was 28,014,918 pounds, which was distributed through 249 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$53,303,428 for 2020 and \$45,433,629 for 2019. Food discarded on the Statements of Functional Expenses represents food resulting from spoilage.

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 \$203,133 in 2020 and \$186,106 in 2019.

12. Commitments and Contingencies:

The Organization had an operating lease for a copier through September 2019, which included monthly payments of \$1,300 for copier use and maintenance. During 2020, the Organization entered into an operating lease for copiers through December 2022. The lease calls for monthly payments of \$767 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.

13. Allocation of Joint Costs:

The Organization incurred joint costs of \$585,737 in 2020 and \$585,584 in 2019 for informational materials and activities that included fund-raising appeals. In 2020, of these costs, \$516,854 was allocated to fund-raising expenses, \$65,158 was allocated to program services, and \$3,725 was allocated to management and general expenses. 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.

FEED MORE, INC.

Notes to Financial Statements, Continued

14. 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 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, 2020 and 2019.

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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board quasi-endowment funds	\$ 1,315,964	\$ -	\$ 1,315,964
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,420,162	2,420,162
Accumulated investment gains	<u>-</u>	<u>1,009,780</u>	<u>1,009,780</u>
	<u>\$ 1,315,964</u>	<u>\$ 3,429,942</u>	<u>\$ 4,745,906</u>

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>

FEED MORE, INC.

Notes to Financial Statements, Continued

14. Endowment Funds, Continued:

Changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 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>
Investment return:			
Investment income	26,909	87,073	113,982
Unrealized and realized loss on investments, net	<u>(36,409)</u>	<u>(78,096)</u>	<u>(114,505)</u>
Total investment return	<u>(9,500)</u>	<u>8,977</u>	<u>(523)</u>
New gifts	<u>511,548</u>	<u>1,000</u>	<u>512,548</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(161,972)</u>	<u>(161,972)</u>
Endowment net assets, June 30, 2020	<u>\$ 1,315,964</u>	<u>\$ 3,429,942</u>	<u>\$ 4,745,906</u>

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, 2020 and 2019.

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, 2020, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Bond ETFs & Mutual Funds	\$ 676,625	\$ -	\$ 676,625
Cash & Money Market	738,235	-	738,235
Equity ETFs & Mutual Funds	1,887,466	-	1,887,466
Individual Equities	1,443,580	-	1,443,580
	4,745,906	-	4,745,906
Other investments:			
Money market funds	110,297	-	110,297
Bond funds	1,213,897	-	1,213,897
Equity securities	993,298	-	993,298
	2,317,492	-	2,317,492
Donated food inventory	-	2,159,646	2,159,646
Total	\$ 7,063,398	\$ 2,159,646	\$ 9,223,044

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, 2019, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Bond ETFs & Mutual Funds	\$ 1,593,939	\$ -	\$ 1,593,939
Cash & Money Market	133,367	-	133,367
Equity ETFs & Mutual Funds	1,375,672	-	1,375,672
Individual Equities	<u>1,292,875</u>	-	<u>1,292,875</u>
	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	<u>663,157</u>	-	<u>663,157</u>
	2,339,765	-	2,339,765
Donated food inventory	<u>-</u>	<u>1,694,647</u>	<u>1,694,647</u>
Total	<u>\$ 6,735,618</u>	<u>\$ 1,694,647</u>	<u>\$ 8,430,265</u>

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

	Donated Inventory
Balance at July 1, 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	1,694,647
Donated food	55,487,406
Food distributed	(53,303,428)
Food discarded	<u>(1,718,979)</u>
Balance at June 30, 2020	<u>\$ 2,159,646</u>