

F E E D M O R E

Financial Statements

June 30, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 "Keita", with a long, sweeping horizontal stroke extending to the right.

October 19, 2021
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 7,042,711	\$ 9,282,324
Certificates of deposit	265,515	509,462
Accounts receivable, net	182,591	218,819
Grants and contributions receivable, net	1,912,758	1,153,591
Prepaid expenses	74,095	115,805
Inventory	2,966,883	2,861,984
Property and equipment, net	12,787,832	13,047,460
Right of use asset	128,235	171,529
Endowment investments	10,132,648	4,745,906
Other investments	12,285,358	2,317,492
Other assets	27,145	25,207
	<u>\$ 47,805,771</u>	<u>\$ 34,449,579</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 967,740	\$ 371,467
Accrued expenses	753,329	611,280
Lease obligation	128,235	171,529
Deferred revenue	159,857	100,141
Loan payable	-	1,017,300
	<u>2,009,161</u>	<u>2,271,717</u>
 Net assets:		
Without donor restrictions:		
Undesignated	32,127,926	25,922,900
Board designated	5,452,649	1,315,964
Total without donor restrictions	<u>37,580,575</u>	<u>27,238,864</u>
With donor restrictions	<u>8,216,035</u>	<u>4,938,998</u>
	<u>45,796,610</u>	<u>32,177,862</u>
	<u>\$ 47,805,771</u>	<u>\$ 34,449,579</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
Revenues and other support:				
Program fees	\$ 772,372	\$ -	\$ -	\$ 772,372
Government fees	4,259,861	-	-	4,259,861
Government grants	142,950	-	201,300	344,250
Membership fees	19,380	-	-	19,380
Board and individual donations	6,401,453	3,493,272	1,617,439	11,512,164
Direct mail contributions	2,914,453	-	-	2,914,453
Civic organization contributions	1,841,703	-	24,417	1,866,120
Foundation grants and contributions	3,444,173	-	1,189,840	4,634,013
Corporate and other contributions	1,262,707	-	1,349,966	2,612,673
PPP grant income	1,017,300	-	-	1,017,300
Miscellaneous income	82,804	-	-	82,804
Interest and dividends	151,153	43,778	67,291	262,222
Donated foods received	74,795,963	-	-	74,795,963
	<u>97,106,272</u>	<u>3,537,050</u>	<u>4,450,253</u>	<u>105,093,575</u>
Total revenues and other support				
Amounts released from restrictions	<u>2,105,482</u>	<u>-</u>	<u>(2,105,482)</u>	<u>-</u>
Expenses:				
Program services	91,119,818	-	-	91,119,818
Management and general	991,095	-	-	991,095
Fund-raising	1,731,581	-	-	1,731,581
	<u>93,842,494</u>	<u>-</u>	<u>-</u>	<u>93,842,494</u>
Total expenses				
Unrealized and realized gain on investments, net	<u>835,766</u>	<u>599,635</u>	<u>932,266</u>	<u>2,367,667</u>
Change in net assets	6,205,026	4,136,685	3,277,037	13,618,748
Net assets, beginning of year	<u>25,922,900</u>	<u>1,315,964</u>	<u>4,938,998</u>	<u>32,177,862</u>
Net assets, end of year	<u>\$ 32,127,926</u>	<u>\$ 5,452,649</u>	<u>\$ 8,216,035</u>	<u>\$45,796,610</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	Total
	Undesignated	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	55,487,406	-	-	55,487,406
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	1,434,811	-	-	1,434,811
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	19,192	-	-	19,192
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 Functional Expenses Year Ended June 30, 2021

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 5,067,719	\$ 527,204	\$ 589,761	\$ 6,184,684
Employee taxes and benefits	<u>1,327,312</u>	<u>98,557</u>	<u>115,386</u>	<u>1,541,255</u>
Total salaries and benefits	6,395,031	625,761	705,147	7,725,939
Advertising	117,240	814	105,530	223,584
Agency grants	1,777,474	-	1,250	1,778,724
Food purchases	2,800,495	-	-	2,800,495
Mailing house services	-	-	544,630	544,630
Occupancy	452,882	16,992	16,177	486,051
Office supplies	214,483	26,517	23,110	264,110
Off-site storage	502,324	-	-	502,324
Other administrative	293,753	39,840	119,354	452,947
Professional fees	807,639	236,390	142,386	1,186,415
Repairs and maintenance	481,355	5,789	8,845	495,989
Supplies	495,037	3,475	5,567	504,079
Temporary labor	323,457	8,070	14,643	346,170
Transportation	<u>618,647</u>	<u>414</u>	<u>787</u>	<u>619,848</u>
Total expenses before depreciation, donated foods distributed, and food discarded	15,279,816	964,062	1,687,424	17,931,302
Depreciation	1,189,009	27,033	44,157	1,260,199
Donated foods distributed	73,305,645	-	-	73,305,645
Food discarded	<u>1,345,348</u>	<u>-</u>	<u>-</u>	<u>1,345,348</u>
Total expenses	<u>\$ 91,119,818</u>	<u>\$ 991,095</u>	<u>\$ 1,731,581</u>	<u>\$ 93,842,494</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	1,148,246	114,296	121,713	1,384,255
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	537,256	1,194	5,853	544,303
Total expenses before depreciation, donated foods distributed, and food discarded	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	1,709,940	-	-	1,709,940
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.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 13,618,748	\$ 4,427,880
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,260,199	1,146,424
Gain on sale of equipment	-	(19,192)
Unrealized and realized (gain) loss on investments, net	(2,367,667)	184,018
Increase in donated in-kind inventory	(144,969)	(474,037)
PPP loan forgiveness	(1,017,300)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	36,228	(28,960)
Grants and contributions receivable, net	(759,167)	827,480
Prepaid expenses	41,710	(41,307)
Inventory	40,070	(352,074)
Other assets	(1,938)	2,208
Accounts payable	596,273	20,104
Accrued expenses	142,049	77,661
Deferred revenue	59,716	19,546
	<u>11,503,952</u>	<u>5,789,751</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of equipment	-	25,757
Purchase of property and equipment	(1,000,571)	(1,939,321)
Reinvestment of dividends	(243,169)	(161,223)
Proceeds from sale and maturities of investments	6,523,947	423,331
Purchases of investments and certificates of deposit	(19,023,772)	(512,547)
	<u>(13,743,565)</u>	<u>(2,164,003)</u>
Net cash used in investing activities		
Cash flows provided by financing activities:		
Proceeds from loan payable	-	1,017,300
	<u>-</u>	<u>1,017,300</u>
Net (decrease) increase in cash and cash equivalents	(2,239,613)	4,643,048
Cash and cash equivalents, beginning of year	<u>9,282,324</u>	<u>4,639,275</u>
Cash and cash equivalents, end of year	<u>\$ 7,042,711</u>	<u>\$ 9,282,324</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Notes to Financial Statements

1. Organization:

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

2. Summary of Significant Accounting Policies:

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash 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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 was 0.07%, and for year ended June 30, 2020 was 0.16%. Conditional promises are recognized as revenue when donor stipulations are substantially met. At June 30, 2021, there were no conditional promises to give. At June 30, 2020, there was one conditional promise to give for \$500,000 which was recorded during 2021 when donor specifications were 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 \$1.79 at June 30, 2021 and \$1.74 at June 30, 2020, 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 \$2,304,616 as of June 30, 2021 and \$2,159,646 as of June 30, 2020.

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 \$662,267 as of June 30, 2021 and \$702,338 as of June 30, 2020. No valuation allowance was considered necessary as of June 30, 2021 and 2020.

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.

Paycheck Protection Program ("PPP") Loan: The Organization's policy is to account for the PPP loan as debt (see Note 6). The Organization will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and the Organization has been legally released, at which point the amount forgiven would be recorded into income or (2) the Organization pays off the loan. The Organization applied for and was approved for loan forgiveness as of November 4, 2020 as all loan proceeds were used for qualifying costs. The forgiveness of the full loan is recognized as PPP grant income on the accompanying Statement of Activities for the year ended June 30, 2021.

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, 2021 and 2020. 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 \$5,452,649 at June 30, 2021 and \$1,315,964 at June 30, 2020. Total net assets without donor restrictions were \$37,580,575 at June 30, 2021 and \$27,238,864 at June 30, 2020.

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, 2021, net assets with donor restrictions include cash and investments of \$6,325,245, grant and contributions receivables of \$1,884,403, and prepaid expenses of \$6,387. 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.

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, 2021, net assets with permanent donor restrictions include investments of \$2,670,662. At June 30, 2020, net assets with permanent donor restrictions include investments of \$2,420,162. 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.

Revenue Recognition: In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020 using the full retrospective approach. The adoption of this ASU did not have a material impact on the accompanying financial statements.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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

Contract assets represent the Organization's right to consideration in exchange for service transferred to a customer. There were no contract assets at June 30, 2021 and 2020. Contract liabilities represent the Organization's obligation to transfer products and services to a customer when the customer prepays consideration for products and services and are included in deferred revenue in the accompanying statements of financial position.

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 \$216,935 during 2021 and \$381,486 during 2020.

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 \$347,435 during 2021 and \$210,632 during 2020.

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 \$82,757 during 2021 and \$107,448 during 2020.

The Community Kitchen delivers subsidized meals to other community organizations. These program fees amounted to \$124,769 during 2021 and \$226,413 during 2020.

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.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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.

Subsequent Events: Management has evaluated subsequent events through October 19, 2021, 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 (0.07% for 2021 and 0.16% for 2020) 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:

	2021	2020
Less than one year	\$ 898,001	\$ 931,320
One year to five years	1,017,300	232,000
	1,915,301	1,163,320
Less discount for net present value	(2,543)	(9,728)
Net grants and contributions receivable	\$ 1,912,758	\$ 1,153,591

4. Property and Equipment:

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

	2021	2020
Land	\$ 604,820	\$ 604,820
Buildings	13,231,256	13,169,433
Automotive	2,483,209	2,400,993
Furniture and equipment	5,343,025	5,022,484
Leasehold improvements	132,714	132,714
Construction in progress	519,990	5,400
	22,315,014	21,335,844
Less accumulated depreciation	9,527,182	8,288,383
Net property and equipment	\$ 12,787,832	\$ 13,047,460

Depreciation expense was \$1,260,199 for 2021 and \$1,146,424 or 2020.

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 \$128,235 at June 30, 2021 and \$171,529 at June 30, 2020.

Future maturities of the operating lease obligation as of June 30, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 46,800
2023	46,800
2024	<u>39,000</u>
	132,600
Less: discount to present value	<u>(4,365)</u>
	<u>\$ 128,235</u>

Total operating lease expense was \$46,800 for each of 2021 and 2020.

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.

In April 2020, the Organization received a PPP loan in the amount of \$1,017,300 with a maturity date of April 2022 and an interest rate of 1.00%. The PPP loan was uncollateralized and was fully guaranteed by the Federal government. The Organization applied for and was approved for loan forgiveness as of November 4, 2020, as all loan proceeds were used for qualifying costs. The Organization recognized the proceeds as PPP grant income on the accompanying Statement of Activities as of June 30, 2021.

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:

	2021		2020	
	Cost	Market Value	Cost	Market Value
Bond ETFs & Mutual Funds	\$ 2,194,945	\$ 2,214,614	\$ 675,959	\$ 676,625
Cash & Money Market	42,250	42,250	738,235	738,235
Equity ETFs & Mutual Funds	6,344,925	7,875,784	1,817,177	1,887,466
Individual Equities	-	-	1,242,267	1,443,580
	<u>\$ 8,582,120</u>	<u>\$ 10,132,648</u>	<u>\$ 4,473,639</u>	<u>\$ 4,745,906</u>

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2021 and 2020, the investments were held with Charles Schwab Institutional (see Note 14).

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

	2021	2020
Interest and dividends	\$ 262,222	\$ 215,001
Net realized/unrealized gain (loss), net	<u>2,367,667</u>	<u>(184,018)</u>
	<u>\$ 2,629,889</u>	<u>\$ 30,983</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, 2021:

	<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	\$ 2,420,162	\$ 250,500	\$ -	\$ 2,670,662
Endowment earnings	1,009,780	999,557	-	2,009,337
Time restrictions	650,909	1,644,219	(577,487)	1,717,641
Purpose restrictions	226,585	-	(149,798)	76,787
Capital improvements	223,734	1,020,832	(112,627)	1,131,939
Other	<u>407,828</u>	<u>1,467,411</u>	<u>(1,265,570)</u>	<u>609,669</u>
 Total	 <u>\$ 4,938,998</u>	 <u>\$ 5,382,519</u>	 <u>\$ (2,105,482)</u>	 <u>\$ 8,216,035</u>

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>

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:

	2021	2020
Financial assets available within one year:		
Cash and cash equivalents	\$ 7,042,711	\$ 9,282,324
Certificates of deposit	265,515	509,462
Accounts receivable, net	182,591	218,819
Grants and contributions receivable, net	1,912,758	1,153,591
Endowment investments	10,132,648	4,745,906
Other investments	12,285,358	2,317,492
Total	31,821,581	18,227,594
Less net assets with donor restrictions (see Note 8)	(8,216,035)	(4,938,998)
Less grants and contributions receivables to be collected in more than one year	(1,014,757)	(222,272)
Less board designated assets	(5,452,649)	(1,315,964)
Financial assets available to meet cash needs for general expenditures within one year	\$ 17,138,140	\$ 11,750,360

The board designated endowment of \$5,452,649 at June 30, 2021 and \$1,315,964 at June 30, 2020, 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 2021, the total of product distributed amounted to 40,951,992 pounds, which was distributed through 277 member agencies. In 2020, the total of products distributed was 30,610,583 pounds, which was distributed through 269 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$73,305,645 for 2021 and \$53,303,428 for 2020. 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 \$211,563 in 2021 and \$203,133 in 2020.

12. Commitments and Contingencies:

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

13. Allocation of Joint Costs:

The Organization incurred joint costs of \$662,001 in 2021 and \$585,737 in 2020 for informational materials and activities that included fund-raising appeals. In 2021, of these costs, \$588,274 was allocated to fund-raising expenses, \$69,312 was allocated to program services, and \$4,415 was allocated to management and general expenses. 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.

FEED MORE, INC.

Notes to Financial Statements, Continued

14. Endowment Funds:

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

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, 2021 and 2020.

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board quasi-endowment funds	\$ 5,452,649	\$ -	\$ 5,452,649
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,670,662	2,670,662
Accumulated investment gains	-	2,009,337	2,009,337
	\$ 5,452,649	\$ 4,679,999	\$ 10,132,648

Endowment net asset composition by type of fund was as follows at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	1,009,780	1,009,780
	\$ 1,315,964	\$ 3,429,942	\$ 4,745,906

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, 2019	\$ 813,916	\$ 3,581,937	\$ 4,395,853
Investment return:			
Investment income	26,909	87,073	113,982
Unrealized and realized loss on investments, net	(36,409)	(78,096)	(114,505)
Total investment return	(9,500)	8,977	(523)
New gifts	511,548	1,000	512,548
Appropriation of endowment assets for expenditure	-	(161,972)	(161,972)
Endowment net assets, June 30, 2020	\$ 1,315,964	\$ 3,429,942	\$ 4,745,906
Investment return:			
Investment income	43,778	67,291	111,069
Unrealized and realized gain on investments, net	599,635	932,266	1,531,901
Total investment return	643,413	999,557	1,642,970
New gifts	3,493,272	250,500	3,743,772
Endowment net assets, June 30, 2021	\$ 5,452,649	\$ 4,679,999	\$ 10,132,648

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, 2021 and 2020.

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, 2021, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Bond ETFs and mutual funds	\$ 2,214,614	\$ -	\$ 2,214,614
Cash and money market funds	42,250	-	42,250
Equity ETFs & mutual funds	7,875,784	-	7,875,784
	10,132,648	-	10,132,648
Other investments:			
Cash and money market funds	398,923	-	398,923
Bond funds, bond ETFs and mutual funds	5,063,762	-	5,063,762
Equity securities, equity ETFs & mutual funds	6,822,673	-	6,822,673
	12,285,358	-	12,285,358
Donated food inventory	-	2,304,616	2,304,616
Total	\$ 22,418,006	\$ 2,304,616	\$ 24,722,622

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, 2020, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowment investments:			
Bond ETFs and mutual funds	\$ 676,625	\$ -	\$ 676,625
Cash and money market funds	738,235	-	738,235
Equity ETFs & mutual funds	1,887,466	-	1,887,466
Individual equities	<u>1,443,580</u>	<u>-</u>	<u>1,443,580</u>
	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	<u>993,298</u>	<u>-</u>	<u>993,298</u>
	2,317,492	-	2,317,492
Donated food inventory	<u>-</u>	<u>2,159,646</u>	<u>2,159,646</u>
 Total	 <u>\$ 7,063,398</u>	 <u>\$ 2,159,646</u>	 <u>\$ 9,223,044</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, 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	2,159,646
Donated food	74,795,963
Food distributed	(73,305,645)
Food discarded	<u>(1,345,348)</u>
Balance at June 30, 2021	<u>\$ 2,304,616</u>