



Financial Statements

June 30, 2013 and 2012

FEED MORE, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
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, 2013 and 2012, 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, 2013 and 2012, 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 long, sweeping horizontal stroke extending to the right.

November 19, 2013
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 559,300	\$ 492,189
Certificates of deposit	3,959,277	5,235,387
Accounts receivable, net	76,691	82,922
Grants and contributions receivable, net	738,839	404,775
Prepaid expenses	61,380	36,225
Inventory	1,580,404	1,133,419
Property and equipment, net	10,643,439	10,659,619
Other assets	9,385	12,145
Endowed investments	<u>3,212,745</u>	<u>2,932,733</u>
	<u>\$ 20,841,460</u>	<u>\$ 20,989,414</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 216,663	\$ 357,300
Accrued expenses	394,717	442,955
Deferred revenue	149,936	197,702
Mortgage note payable	<u>-</u>	<u>190,949</u>
Total liabilities	<u>761,316</u>	<u>1,188,906</u>
Net assets:		
Unrestricted net assets	16,453,163	16,585,960
Temporarily restricted net assets	1,326,876	915,043
Permanently restricted net assets	<u>2,300,105</u>	<u>2,299,505</u>
Total net assets	<u>20,080,144</u>	<u>19,800,508</u>
	<u>\$ 20,841,460</u>	<u>\$ 20,989,414</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Program fees	\$ 1,164,188	\$ -	\$ -	\$ 1,164,188
Government fees	1,821,481	-	-	1,821,481
Government grants	1,346	348,566	-	349,912
Membership fees	27,243	-	-	27,243
Board and individual donations	2,440,693	-	600	2,441,293
Direct mail contributions	1,527,906	-	-	1,527,906
Civic organization contributions	525,700	31,785	-	557,485
Foundation grants and contributions	1,786,264	15,560	-	1,801,824
Corporate and other contributions	750,270	18,349	-	768,619
Special events, net of \$72,006 of expenses	394,081	-	-	394,081
Miscellaneous income	8,933	-	-	8,933
Interest and dividends	10,650	128,409	-	139,059
Donated foods received	<u>32,838,738</u>	<u>-</u>	<u>-</u>	<u>32,838,738</u>
Total revenues and other support	<u>43,297,493</u>	<u>542,669</u>	<u>600</u>	<u>43,840,762</u>
Amounts released from restrictions	<u>427,053</u>	<u>(427,053)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	41,628,114	-	-	41,628,114
Management and general	823,223	-	-	823,223
Fund-raising	<u>1,442,092</u>	<u>-</u>	<u>-</u>	<u>1,442,092</u>
Total expenses	<u>43,893,429</u>	<u>-</u>	<u>-</u>	<u>43,893,429</u>
Unrealized and realized gain on investments, net	-	296,217	-	296,217
Gain on sale of equipment	14,266	-	-	14,266
Rental income	<u>21,820</u>	<u>-</u>	<u>-</u>	<u>21,820</u>
Increase (decrease) in net assets	(132,797)	411,833	600	279,636
Net assets, beginning of year	<u>16,585,960</u>	<u>915,043</u>	<u>2,299,505</u>	<u>19,800,508</u>
Net assets, end of year	<u>\$ 16,453,163</u>	<u>\$ 1,326,876</u>	<u>\$ 2,300,105</u>	<u>\$ 20,080,144</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Program fees	\$ 1,150,156	\$ -	\$ -	\$ 1,150,156
Government fees	2,094,646	-	-	2,094,646
Government grants	-	31,227	-	31,227
Membership fees	28,060	-	-	28,060
Board and individual donations	2,729,636	5,700	700	2,736,036
Direct mail contributions	1,653,956	-	-	1,653,956
Civic organization contributions	613,362	57,085	-	670,447
Foundation grants and contributions	1,559,704	8,000	-	1,567,704
Corporate and other contributions	774,523	19,153	-	793,676
Special events, net of \$89,341 of expenses	444,084	-	-	444,084
Miscellaneous income	7,783	-	-	7,783
Interest and dividends	23,030	171,633	-	194,663
Donated foods received	<u>28,464,176</u>	<u>-</u>	<u>-</u>	<u>28,464,176</u>
Total revenues and other support	<u>39,543,116</u>	<u>292,798</u>	<u>700</u>	<u>39,836,614</u>
Amounts released from restrictions	<u>787,673</u>	<u>(787,673)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	39,152,021	-	-	39,152,021
Management and general	879,335	-	-	879,335
Fund-raising	<u>1,581,792</u>	<u>-</u>	<u>-</u>	<u>1,581,792</u>
Total expenses	<u>41,613,148</u>	<u>-</u>	<u>-</u>	<u>41,613,148</u>
Unrealized and realized loss on investments, net	-	(158,056)	-	(158,056)
Loss on sale of equipment	(14,718)	-	-	(14,718)
Rental income	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Increase (decrease) in net assets	(1,285,827)	(652,931)	700	(1,938,058)
Net assets, beginning of year	<u>17,871,787</u>	<u>1,567,974</u>	<u>2,298,805</u>	<u>21,738,566</u>
Net assets, end of year	<u>\$ 16,585,960</u>	<u>\$ 915,043</u>	<u>\$ 2,299,505</u>	<u>\$ 19,800,508</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses Year Ended June 30, 2013

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,685,054	\$ 515,630	\$ 512,125	\$ 4,712,809
Payroll taxes	295,159	38,054	38,434	371,647
Employee benefits	601,960	87,918	73,877	763,755
Total salaries and benefits	4,582,173	641,602	624,436	5,848,211
Advertising	45,668	-	47,148	92,816
Bad debts	4,393	-	-	4,393
Bank fees	170	2,021	65,033	67,224
Computer expenses	93,879	23,711	90,499	208,089
Dues and subscriptions	30,357	2,205	2,760	35,322
Education	4,515	505	-	5,020
Food purchases	2,063,125	-	-	2,063,125
Freight	177,396	-	-	177,396
Gas and oil	127,806	-	-	127,806
Insurance	44,946	8,675	2,186	55,807
Interest	2,866	65	131	3,062
Mailing house services	-	-	365,103	365,103
Miscellaneous	57,646	11,189	8,534	77,369
Office supplies	17,825	4,389	5,908	28,122
Off-site storage	40,883	-	-	40,883
Pest control	4,392	42	84	4,518
Postage	14,560	3,056	28,340	45,956
Printing and publications	42,495	1,311	99,525	143,331
Professional fees	71,935	57,030	36,972	165,937
Rent - equipment	19,300	95	95	19,490
Repairs and maintenance	334,140	8,497	8,736	351,373
Security	7,960	83	168	8,211
Staff training	23,007	26,717	10,104	59,828
Supplies	270,084	1,606	1,468	273,158
Taxes and licenses	12,736	359	651	13,746
Telephone	62,498	3,484	3,219	69,201
Temporary labor	59,429	557	1,951	61,937
Trash disposal	58,361	1,186	2,392	61,939
Travel expense	61,876	3,380	3,070	68,326
Utilities	170,301	2,138	4,312	176,751
Total expenses before depreciation, donated foods distributed, and food destroyed	8,506,722	803,903	1,412,825	10,723,450
Depreciation	695,143	19,320	29,267	743,730
Donated foods distributed	28,451,263	-	-	28,451,263
Food destroyed	3,974,986	-	-	3,974,986
Total expenses	<u>\$ 41,628,114</u>	<u>\$ 823,223</u>	<u>\$ 1,442,092</u>	<u>\$ 43,893,429</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,366,659	\$ 503,279	\$ 494,844	\$ 4,364,782
Payroll taxes	265,568	36,580	36,512	338,660
Employee benefits	562,554	83,347	82,646	728,547
Total salaries and benefits	4,194,781	623,206	614,002	5,431,989
Advertising	42,842	-	40,621	83,463
Agency grants	14,100	-	-	14,100
Bad debts	3,179	-	166	3,345
Bank fees	102	40	71,970	72,112
Community training	4,971	345	-	5,316
Computer expenses	67,612	16,381	109,438	193,431
Dues and subscriptions	26,392	1,749	4,059	32,200
Food purchases	2,318,224	-	-	2,318,224
Freight	105,769	-	-	105,769
Gas and oil	124,310	-	-	124,310
Insurance	43,900	6,849	1,863	52,612
Interest	6,932	157	316	7,405
Mailing house services	-	-	424,380	424,380
Miscellaneous	64,607	9,741	5,894	80,242
Office supplies	21,865	7,949	8,601	38,415
Off-site storage	87,122	-	-	87,122
Pest control	6,540	84	169	6,793
Postage	18,385	3,469	29,364	51,218
Printing and publications	58,392	-	105,409	163,801
Professional fees	38,633	126,926	80,235	245,794
Rent - equipment	19,548	117	117	19,782
Rent - facilities	24,720	-	-	24,720
Repairs and maintenance	325,742	3,646	8,177	337,565
Security	12,592	213	428	13,233
Staff training	37,661	29,317	19,839	86,817
Supplies	273,152	1,252	14,954	289,358
Taxes and licenses	15,458	924	97	16,479
Telephone	63,319	4,827	5,472	73,618
Temporary labor	81,725	19,684	5,348	106,757
Trash disposal	42,344	766	1,545	44,655
Transportation	54,291	2,622	2,853	59,766
Utilities	161,270	2,017	4,069	167,356
Total expenses before depreciation, donated foods distributed, and food destroyed	8,360,480	862,281	1,559,386	10,782,147
Depreciation	653,690	17,054	22,406	693,150
Donated foods distributed	27,157,823	-	-	27,157,823
Food destroyed	2,980,028	-	-	2,980,028
Total expenses	<u>\$ 39,152,021</u>	<u>\$ 879,335</u>	<u>\$ 1,581,792</u>	<u>\$ 41,613,148</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 279,636	\$ (1,938,058)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	743,730	693,150
(Gain) loss on sale of equipment	(14,266)	14,718
Unrealized and realized (gain) loss on investments, net	(296,217)	158,056
Reinvested dividends	(95,471)	(98,672)
(Increase) decrease in donated in-kind inventory	(412,489)	1,673,675
Changes in operating assets and liabilities:		
Accounts receivable, net	6,231	9,780
Grants and contributions receivable, net	(334,064)	421,637
Prepaid expenses	(25,155)	(2,072)
Inventory	(34,496)	37,411
Other assets	2,760	(1,413)
Accounts payable	(140,637)	72,316
Accrued expenses	(48,238)	(92,736)
Deferred revenue	(47,766)	101,991
	<u>(416,442)</u>	<u>1,049,783</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of equipment	540,979	7,050
Purchase of property and equipment	(1,254,263)	(1,532,242)
Proceeds from sale and maturities of investments	1,516,795	231,055
Purchases of investments	(129,009)	(518,227)
	<u>674,502</u>	<u>(1,812,364)</u>
Net cash provided by (used in) investing activities		
Cash flows used in financing activities:		
Principal payments on mortgage note payable	(190,949)	(130,816)
	<u>67,111</u>	<u>(893,397)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	492,189	1,385,586
	<u>\$ 559,300</u>	<u>\$ 492,189</u>
Cash and cash equivalents, end of year		
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,061	\$ 7,405

See accompanying notes to the financial statements.

FEED MORE, INC.

Notes to Financial Statements

1. **Organization:**

Feed More, Inc. (the "Organization") was established through a merger in 2008 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 to collect and redistribute food to seniors, people with disabilities, and disadvantaged populations. The Foodbank and Meals on Wheels continue to operate under their existing names, supported through contributions and grants in addition to their programs and membership fees. In addition, the Organization operates the Community Kitchen, which prepares meals for the feeding programs for the Foodbank, Meals on Wheels, and other community organizations.

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 \$3,000 at June 30, 2013 and 2012.

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

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Grants and Contributions Receivable, Continued: Grants and contributions receivable are reported net of an allowance for uncollectible grants and contributions based on management's estimate of the amount of grants and contributions receivable that will actually be collected. At June 30, 2013 and 2012, management determined the grants and contributions receivable were fully collectible and that no allowance was necessary. Grants and contributions receivable that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows.

Unconditional promises to give, which include grants and contributions receivable at their net present value in the year promised, are recognized as unrestricted, temporarily or permanently restricted support as appropriate. Conditional promises are recorded when donor stipulations are substantially met. At June 30, 2013, there was a conditional promise to give from a local organization for \$31,785, which is expected to be collected in fiscal year 2014. At June 30, 2012, there were two conditional promises to give from local organizations for \$300,000 and \$31,785, which were collected and recorded in 2013.

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.

Endowed 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.

Inventory: The majority of the Organization's inventory is received from in-kind donations. 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 \$1.69 at June 30, 2013 and \$1.66 at June 30, 2012, 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 and services the Organization is providing to the community. Due to the nature of this inventory and the fact that it cannot be sold in the market, it will never be converted to cash during the normal business cycle. The value of donated in-kind inventory was \$1,385,485 as of June 30, 2013 and \$972,996 as of June 30, 2012.

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 \$194,919 as of June 30, 2013 and \$160,423 as of June 30, 2012.

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

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

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

In accordance with the guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Organization's position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the guidance. The Organization's income tax returns for years since 2010 remain open for examination by tax authorities.

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

Unrestricted net assets include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

Temporarily restricted net assets include funds whose use by the Organization has been limited by donors to a specific time period or purpose. At June 30, 2013, temporarily restricted net assets include cash and investments of \$912,640, grant and contributions receivables of \$413,501, and prepaid expenses of \$735. At June 30, 2012, temporarily restricted net assets include cash and investments of \$643,761, grants and contribution receivables of \$269,752, and prepaid expenses of \$1,530. At June 30, 2013 and 2012, temporarily restricted net assets were restricted to food programs or capital expenditures.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: Permanently restricted net assets include gift arrangements that provide that the principal assets of such funds are to be maintained inviolate and in perpetuity. At June 30, 2013, permanently restricted net assets include investments of \$2,300,105. At June 30, 2012, permanently restricted net assets include investments of \$2,299,505. Endowment income is recorded in unrestricted funds or temporarily restricted funds for charitable or operating purposes to the extent permitted by the Organization's spending policy or as specified in the gift agreement (see Note 11).

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

Program Fees: The Foodbank division of the Organization serves as a clearinghouse that solicits, collects, and stores surplus and salvage food and distributes it to its member agencies, which are nonprofit, tax-exempt agencies and organizations that provide meals and emergency food to their clients without charge. Member agencies pay a program fee per pound for products they withdraw from the Foodbank and transportation for the products. These shared program fees amounted to \$701,319 during 2013 and \$789,697 during 2012.

The Foodbank division purchases select food items in bulk. Agencies pay a fee for these items equal to cost plus a mark-up. These purchase program fees amounted to \$119,423 during 2013 and \$38,065 during 2012.

The Meals on Wheels division of the Organization provides free and subsidized meals to homebound clients. Clients are billed for this service on a sliding scale based on their ability to pay. These client program fees amounted to \$193,239 during 2013 and \$174,405 during 2012.

The Community Kitchen delivers subsidized meals to other community organizations. These delivery program fees amounted to \$150,207 during 2013 and \$147,989 during 2012.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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

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

Advertising: Advertising costs are expensed as incurred.

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents, unsecured receivables, and investments. The Organization maintains its cash and cash equivalent balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2013, the cash balance at Wells Fargo Bank was \$643,197 which exceeded the FDIC guaranteed amount of \$250,000. All other funds were guaranteed by the FDIC. As of June 30, 2012, all funds were either guaranteed or insured by a U.S. Government agency.

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.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through November 19, 2013, the date the financial statements were available to be issued, and has determined that there are no other subsequent events to be reported in the accompanying financial statements.

FEED MORE, INC.

Notes to Financial Statements, Continued

3. Grants and Contributions Receivable:

Grants and contributions receivable consisted of the following unconditional promises to give as of June 30:

	2013	2012
Unconditional promises to give	\$ 742,327	\$ 405,335
Less: Discount for present value, 2.49% in 2013 and 4.83% in 2012	(3,488)	(560)
	\$ 738,839	\$ 404,775
Amounts due in:		
Less than one year	\$ 598,777	\$ 392,625
One to five years	140,062	12,150
Net grants and contributions receivable	\$ 738,839	\$ 404,775

4. Property and Equipment:

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

	2013	2012
Land	\$ 604,820	\$ 735,293
Buildings	10,087,790	9,605,978
Automotive	1,050,973	1,000,658
Furniture and equipment	2,703,424	2,762,532
Construction in progress	2,750	97,427
	14,449,757	14,201,888
Less accumulated depreciation	3,806,318	3,542,269
Net property and equipment	\$ 10,643,439	\$ 10,659,619

Depreciation expense was \$743,730 for 2013 and \$693,150 for 2012.

FEED MORE, INC.

Notes to Financial Statements, Continued

5. Endowed Investments:

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

	2013		2012	
	Cost	Market Value	Cost	Market Value
Money market funds	\$ 94,229	\$ 94,229	\$ 30,286	\$ 30,286
Bond funds	1,075,785	1,074,609	1,018,471	1,041,878
Equity securities	1,111,614	1,344,896	1,252,996	1,294,233
Mutual funds	<u>577,743</u>	<u>699,011</u>	<u>545,174</u>	<u>566,336</u>
	<u>\$ 2,859,371</u>	<u>\$ 3,212,745</u>	<u>\$ 2,846,927</u>	<u>\$ 2,932,733</u>

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2013 and 2012, the investments were held with Charles Schwab Institutional (see Note 12).

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

	2013	2012
Interest and dividends	\$ 128,409	\$ 171,633
Net realized/unrealized gain (loss)	<u>296,217</u>	<u>(158,056)</u>
	<u>\$ 424,626</u>	<u>\$ 13,577</u>

6. Mortgage Payable:

The Organization's mortgage note payable was \$190,949 at June 30, 2012. The mortgage note was payable to a bank, collateralized by real estate, and due in monthly payments of \$11,518 including interest at 2.77%. During fiscal year 2013, the Organization chose to prepay the remaining balance and, as of June 30, 2013 the mortgage note was paid in full.

FEED MORE, INC.

Notes to Financial Statements, Continued

7. Donated Food and Services Distributed:

The food and non-food products distributed by the Organization are provided from various sources including government contracts, business and individual donations. In 2013, the total of product handled amounted to 13,009,390 pounds, with usable product of 10,423,625 pounds, which was distributed to approximately 360 member agencies. In 2012, the total of products handled amounted to 11,005,508 pounds, with usable product of 10,218,548 pounds, which was distributed to approximately 395 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$17,615,926 for 2013 and \$16,962,790 for 2012.

The Organization has a Direct Store Pick-up program that allows agencies to go directly to inventory-donating contributors to pick-up and use food acceptable for its feeding programs. No fee is paid by these agencies for this food beyond an annual Direct Store Pick-up fee of \$35. On the basis of emerging industry trends in 2013, the Organization reported in "Donated foods received" the value of the inventory reported as received by the Direct Store Pick-up approved agencies as well as an equal amount in "Donated foods distributed," resulting in no impact on net assets. In 2013, the Organization program coordinated activity of 6,411,442 pounds of food amounting to \$10,835,337 of donated foods received and donated foods distributed. The 2012 financial statements have also been adjusted to reflect this activity in the amount of 6,141,586 pounds at \$10,195,033.

8. Retirement Plan:

The Organization has a Safe-Harbor 401(k) Plan that covers all eligible employees with at least one year of service who are over the age of 18 years. For each employee who meets the eligibility requirements, the Organization currently has elected to pay a 3% safe harbor match and an additional 50% match of the employee's deferral election, for a total maximum employer contribution of 6% of the employee's gross income. Each employee is 100% vested in the employer matches immediately upon remittance. The Organization's contributions to the Plan amounted to \$189,627 in 2013 and \$179,117 in 2012.

9. Commitments and Contingencies:

During 2013, the Organization leased to several unrelated parties certain advertising space on the Organization's building. The leases called for monthly payments to the Organization ranging from \$500 to \$1,750. The total rental income from these leases was \$9,570 for 2013 and \$6,000 for 2012.

FEED MORE, INC.

Notes to Financial Statements, Continued

9. Commitments and Contingencies, Continued:

The Organization received rental payments from an unrelated party for space occupied in a building acquired by the Organization during 2012. The Tenant was paying on a month-to-month basis. The tenant moved out of the space on February 1, 2013. The total rental income received from the tenant was \$12,250 for 2013 and \$5,250 for 2012.

The Organization has an operating lease for copiers through November 2015. The lease calls for monthly payments of \$146 through November 2015 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.

10. Allocation of Joint Costs:

The Organization incurred joint costs of \$554,390 in 2013 and \$639,398 in 2012 for informational materials and activities that included fund-raising appeals. In 2013, of these costs, \$492,968 was allocated to fund-raising expenses, \$57,055 was allocated to program services, and \$4,367 was allocated to management and general expenses. In 2012, of these costs, \$559,152 was allocated to fund-raising expenses, \$76,777 was allocated to program services, and \$3,469 was allocated to management and general expenses.

11. Endowment Funds:

Feed More, Inc. has three endowment funds. The endowment funds were established for a variety of purposes and are donor-restricted. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Endowment Funds, Continued:

Interpretation of Relevant Law: The Board of Directors, after professional consultation, has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as permanently restricted net assets, are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

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

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have any deficiencies in its endowment funds as of June 30, 2013 and 2012.

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

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Endowment Funds, Continued:

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

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

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

Endowment net asset composition by type of fund was as follows at June 30, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 912,640</u>	<u>\$ 2,300,105</u>	<u>\$ 3,212,745</u>

Endowment net asset composition by type of fund was as follows at June 30, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 633,228</u>	<u>\$ 2,299,505</u>	<u>\$ 2,932,733</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Endowment Funds, Continued:

Changes in endowment net assets were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2011	\$ 752,034	\$ 2,298,805	\$ 3,050,839
Investment return:			
Investment income	171,633	-	171,633
Unrealized and realized loss on investments, net	(158,056)	-	(158,056)
Total investment return	13,577	-	13,577
New gifts	-	700	700
Appropriation of endowment assets for expenditure	(132,383)	-	(132,383)
Net assets, June 30, 2012	633,228	2,299,505	2,932,733
Investment return:			
Investment income	128,409	-	128,409
Unrealized and realized gain on investments, net	296,217	-	296,217
Total investment return	424,626	-	424,626
New gifts	-	600	600
Appropriation of endowment assets for expenditure	(145,214)	-	(145,214)
Net assets, June 30, 2013	\$ 912,640	\$ 2,300,105	\$ 3,212,745

FEED MORE, INC.

Notes to Financial Statements, Continued

12. 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, 2013 and 2012.

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

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

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

FEED MORE, INC.

Notes to Financial Statements, Continued

12. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2013, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowed investments:			
Money market funds	\$ 94,229	\$ -	\$ 94,229
Bond funds	1,074,609	-	1,074,609
Equity securities:			
Utilities	67,323	-	67,323
Consumer discretionary	111,998	-	111,998
Consumer staples	106,473	-	106,473
Healthcare	175,849	-	175,849
Producer durables	197,290	-	197,290
Financial services	185,135	-	185,135
Materials and processing	37,825	-	37,825
Technology	299,875	-	299,875
Energy	163,128	-	163,128
Mutual funds:			
International large cap	340,572	-	340,572
Small cap value fund	358,439	-	358,439
	3,212,745	-	3,212,745
Donated food inventory	-	1,385,485	1,385,485
 Total	 \$ 3,212,745	 \$ 1,385,485	 \$ 4,598,230

FEED MORE, INC.

Notes to Financial Statements, Continued

12. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2012, include the following:

	<u>Fair Value Using</u>		<u>Assets</u>
	<u>Level 1</u>	<u>Level 3</u>	<u>at Fair Value</u>
Assets:			
Endowed investments:			
Money market funds	\$ 30,286	\$ -	\$ 30,286
Bond funds	1,041,878	-	1,041,878
Equity securities:			
Utilities	71,714	-	71,714
Consumer discretionary	161,505	-	161,505
Consumer staples	89,152	-	89,152
Healthcare	177,990	-	177,990
Producer durables	186,784	-	186,784
Financial services	174,039	-	174,039
Materials and processing	36,100	-	36,100
Technology	254,431	-	254,431
Energy	142,518	-	142,518
Mutual funds:			
International large cap	278,841	-	278,841
Small cap value fund	287,495	-	287,495
	<u>2,932,733</u>	<u>-</u>	<u>2,932,733</u>
Donated food inventory	<u>-</u>	<u>972,996</u>	<u>972,996</u>
 Total	 <u>\$ 2,932,733</u>	 <u>\$ 972,996</u>	 <u>\$ 3,905,729</u>

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

	<u>Donated Inventory</u>
Balance at June 30, 2011	\$ 2,646,671
Donated food	28,464,176
Food distributed	(27,157,823)
Food destroyed	<u>(2,980,028)</u>
Balance at June 30, 2012	972,996
Donated food	32,838,738
Food distributed	(28,451,263)
Food destroyed	<u>(3,974,986)</u>
Balance at June 30, 2013	<u>\$ 1,385,485</u>