



Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized, sweeping flourish extending to the right.

October 17, 2014
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Assets:		
Cash and cash equivalents	\$ 4,298,605	\$ 559,300
Certificates of deposit	1,470,921	3,959,277
Accounts receivable, net	89,802	76,691
Grants and contributions receivable, net	538,912	738,839
Prepaid expenses	25,683	61,380
Inventory	2,010,390	1,580,404
Property and equipment, net	10,020,239	10,643,439
Other assets	7,319	9,385
Endowed investments	<u>3,610,442</u>	<u>3,212,745</u>
	<u>\$ 22,072,313</u>	<u>\$ 20,841,460</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 186,304	\$ 216,663
Accrued expenses	395,179	394,717
Deferred revenue	<u>71,877</u>	<u>149,936</u>
Total liabilities	<u>653,360</u>	<u>761,316</u>
Net assets:		
Unrestricted net assets	17,327,002	16,453,163
Temporarily restricted net assets	1,791,446	1,326,876
Permanently restricted net assets	<u>2,300,505</u>	<u>2,300,105</u>
Total net assets	<u>21,418,953</u>	<u>20,080,144</u>
	<u>\$ 22,072,313</u>	<u>\$ 20,841,460</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Program fees	\$ 1,118,010	\$ -	\$ -	\$ 1,118,010
Government fees	2,117,283	-	-	2,117,283
Government grants	33,092	73,426	-	106,518
Membership fees	26,966	-	-	26,966
Board and individual donations	2,572,306	1,250	400	2,573,956
Direct mail contributions	1,459,525	-	-	1,459,525
Civic organization contributions	514,848	90,785	-	605,633
Foundation grants and contributions	1,823,745	101,004	-	1,924,749
Corporate and other contributions	828,370	63,480	-	891,850
Special events, net of \$78,309 of expenses	420,981	-	-	420,981
Miscellaneous income	11,854	-	-	11,854
Interest and dividends	7,121	142,508	-	149,629
Donated foods received	<u>35,829,022</u>	<u>-</u>	<u>-</u>	<u>35,829,022</u>
Total revenues and other support	<u>46,763,123</u>	<u>472,453</u>	<u>400</u>	<u>47,235,976</u>
Amounts released from restrictions	<u>411,871</u>	<u>(411,871)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	44,019,513	-	-	44,019,513
Management and general	800,008	-	-	800,008
Fund-raising	<u>1,496,209</u>	<u>-</u>	<u>-</u>	<u>1,496,209</u>
Total expenses	<u>46,315,730</u>	<u>-</u>	<u>-</u>	<u>46,315,730</u>
Unrealized and realized gain on investments, net	-	403,988	-	403,988
Loss on sale of equipment	(425)	-	-	(425)
Rental income	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Change in net assets	873,839	464,570	400	1,338,809
Net assets, beginning of year	<u>16,453,163</u>	<u>1,326,876</u>	<u>2,300,105</u>	<u>20,080,144</u>
Net assets, end of year	<u>\$ 17,327,002</u>	<u>\$ 1,791,446</u>	<u>\$ 2,300,505</u>	<u>\$ 21,418,953</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>
Change 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 Functional Expenses Year Ended June 30, 2014

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,534,913	\$ 481,690	\$ 548,704	\$ 4,565,307
Payroll taxes	282,154	35,822	39,483	357,459
Employee benefits	621,231	93,057	75,831	790,119
Total salaries and benefits	4,438,298	610,569	664,018	5,712,885
Advertising	47,200	-	50,990	98,190
Bad debts	3,088	-	-	3,088
Bank fees	27	5,797	52,117	57,941
Computer expenses	76,042	22,931	74,778	173,751
Dues and subscriptions	32,369	2,485	2,795	37,649
Education	5,226	15	-	5,241
Food purchases	1,793,625	-	-	1,793,625
Freight	54,444	-	-	54,444
Gas and oil	140,906	-	-	140,906
Insurance	49,155	7,340	1,779	58,274
Mailing house services	-	-	464,930	464,930
Miscellaneous	35,227	4,260	3,636	43,123
Office supplies	17,767	8,659	3,217	29,643
Off-site storage	57,212	-	-	57,212
Pest control	3,861	39	78	3,978
Postage	12,521	2,593	24,487	39,601
Printing and publications	53,467	718	86,866	141,051
Professional fees	85,655	90,992	14,207	190,854
Rent - equipment	33,907	459	625	34,991
Repairs and maintenance	319,596	4,798	7,770	332,164
Security	5,143	96	194	5,433
Staff training	13,382	7,713	4,780	25,875
Supplies	236,315	2,903	2,491	241,709
Taxes and licenses	17,281	135	546	17,962
Telephone	55,360	907	1,830	58,097
Temporary labor	53,933	10,137	730	64,800
Trash disposal	20,723	389	784	21,896
Travel expense	53,777	85	3,842	57,704
Utilities	180,281	2,250	4,537	187,068
Total expenses before depreciation, donated foods distributed, and food destroyed	7,895,788	786,270	1,472,027	10,154,085
Depreciation	691,330	13,738	24,182	729,250
Donated foods distributed	32,953,490	-	-	32,953,490
Food destroyed	2,478,905	-	-	2,478,905
Total expenses	<u>\$ 44,019,513</u>	<u>\$ 800,008</u>	<u>\$ 1,496,209</u>	<u>\$ 46,315,730</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
Community training	93,879	23,711	90,499	208,089
Computer expenses	30,357	2,205	2,760	35,322
Dues and subscriptions	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.

Statements of Cash Flows Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,338,809	\$ 279,636
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	729,250	743,730
Loss (gain) on sale of equipment	425	(14,266)
Unrealized and realized gain on investments, net	(403,988)	(296,217)
Reinvested dividends	-	(95,471)
Increase in donated in-kind inventory	(396,627)	(412,489)
Changes in operating assets and liabilities:		
Accounts receivable, net	(13,111)	6,231
Grants and contributions receivable, net	199,927	(334,064)
Prepaid expenses	35,697	(25,155)
Inventory	(33,359)	(34,496)
Other assets	2,066	2,760
Accounts payable	(30,359)	(140,637)
Accrued expenses	462	(48,238)
Deferred revenue	<u>(78,059)</u>	<u>(47,766)</u>
Net cash provided by (used in) operating activities	<u>1,351,133</u>	<u>(416,442)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	26,013	540,979
Purchase of property and equipment	(132,488)	(1,254,263)
Proceeds from sale and maturities of investments	2,637,555	1,516,795
Purchases of investments	<u>(142,908)</u>	<u>(129,009)</u>
Net cash provided by investing activities	<u>2,388,172</u>	<u>674,502</u>
Cash flows used in financing activities:		
Principal payments on mortgage note payable	<u>-</u>	<u>(190,949)</u>
Net increase in cash and cash equivalents	3,739,305	67,111
Cash and cash equivalents, beginning of year	<u>559,300</u>	<u>492,189</u>
Cash and cash equivalents, end of year	<u>\$ 4,298,605</u>	<u>\$ 559,300</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,061</u>

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 Organization has been serving Central Virginia through predecessor organizations since 1967 and is supported through contributions and grants in addition to programs and membership fees. In addition, the Organization operates the Community Kitchen, which prepares meals for the feeding programs including children's programs, 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, 2014 and 2013.

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 accompanying Statements 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, 2014 and 2013, 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, 2014, there were two conditional promises to give for \$200,000 and \$31,785, which will be recorded when donor stipulations are met, and is expected to occur in fiscal year 2015. At June 30, 2013, there was a conditional promise to give from a local organization for \$31,785, which was collected and recorded in 2014.

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 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 \$1.72 at June 30, 2014 and \$1.69 at June 30, 2013, and is based upon a study performed by Feeding America specifically for aiding food banks across the country in valuing their inventories. Feeding America determines the value by contracting with an external third party which conducts a survey on a sample of food banks across the country. The survey gathers information on the receipts of donated items by these food banks, which is used to calculate the average value per pound of food. These estimated fair values are used to determine the value of the products the Organization is providing to the community. Due to the nature of this inventory and the fact that it cannot be sold in the market, it will never be converted to cash during the normal business cycle. The value of donated in-kind inventory was \$1,782,112 as of June 30, 2014 and \$1,385,485 as of June 30, 2013.

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 \$228,278 as of June 30, 2014 and \$194,919 as of June 30, 2013. As of June 30, 2014 and June 30, 2013, no valuation allowance was considered necessary.

FEED MORE, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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.

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 2011 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, 2014, temporarily restricted net assets include cash and investments of \$1,408,091, grant and contributions receivables of \$380,648, and prepaid expenses of \$2,707. At June 30, 2013, temporarily restricted net assets include cash and investments of \$912,640, grants and contribution receivables of \$413,501, and prepaid expenses of \$735. At June 30, 2014 and 2013, 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, 2014, permanently restricted net assets include investments of \$2,300,505. At June 30, 2013, permanently restricted net assets include investments of \$2,300,105. 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 \$465,088 during 2014 and \$701,319 during 2013.

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 \$319,459 during 2014 and \$119,423 during 2013.

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 \$173,413 during 2014 and \$193,239 during 2013.

The Community Kitchen delivers subsidized meals to other community organizations. These delivery program fees amounted to \$160,050 during 2014 and \$150,207 during 2013.

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. The cash balance at Wells Fargo Bank was \$338,668 at June 30, 2014 and \$643,197 at June 30, 2013, which exceeded the FDIC guaranteed amount of \$250,000. The Organization maintained Certificate of Deposit Account Registry Service ("CDARS") balances of \$1,470,921 at June 30, 2014 and \$3,959,277 at June 30, 2013. The Organization also maintained a money market balance of \$3,959,337 at June 30, 2014.

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 17, 2014, 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:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give	\$ 538,912	\$ 742,327
Less: Discount for present value, 2.49% in 2013	<u>-</u>	<u>(3,488)</u>
	<u>\$ 538,912</u>	<u>\$ 738,839</u>
Amounts due in:		
Less than one year	\$ 482,912	\$ 598,777
One to five years	<u>56,000</u>	<u>140,062</u>
Net grants and contributions receivable	<u>\$ 538,912</u>	<u>\$ 738,839</u>

4. Property and Equipment:

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

	<u>2014</u>	<u>2013</u>
Land	\$ 604,820	\$ 604,820
Buildings	10,115,536	10,087,790
Automotive	1,057,928	1,050,973
Furniture and equipment	2,758,093	2,703,424
Construction in progress	<u>11,356</u>	<u>2,750</u>
	14,547,733	14,449,757
Less accumulated depreciation	<u>4,527,494</u>	<u>3,806,318</u>
Net property and equipment	<u>\$ 10,020,239</u>	<u>\$ 10,643,439</u>

Depreciation expense was \$729,250 for 2014 and \$743,730 for 2013.

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:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Money market funds	\$ 232,479	\$ 232,479	\$ 94,229	\$ 94,229
Bond funds	1,108,913	1,123,986	1,075,785	1,074,609
Equity securities	1,089,194	1,434,620	1,111,614	1,344,896
Mutual funds	<u>598,046</u>	<u>819,357</u>	<u>577,743</u>	<u>699,011</u>
	<u>\$ 3,028,632</u>	<u>\$ 3,610,442</u>	<u>\$ 2,859,371</u>	<u>\$ 3,212,745</u>

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2014 and 2013, the investments were held with Charles Schwab Institutional (see Note 12).

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

	2014	2013
Interest and dividends	\$ 142,508	\$ 128,409
Net realized/unrealized gain	<u>403,988</u>	<u>296,217</u>
	<u>\$ 546,496</u>	<u>\$ 424,626</u>

6. Mortgage Payable:

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, and business and individual donations. In 2014, the total of product handled amounted to 13,854,473 pounds, with usable product of 12,196,951 pounds, which was distributed to 360 member agencies. In 2013, the total of products handled amounted to 13,009,390 pounds, with usable product of 10,423,625 pounds, which was distributed to 360 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$20,978,755 for 2014 and \$17,615,926 for 2013.

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. In 2014, the Direct Store Pick-up program coordinated activity of 6,962,055 pounds of food amounting to \$11,974,735 of donated foods received and donated foods distributed. In 2013, the Direct Store Pick-up program coordinated activity of 6,411,442 pounds of food amounting to \$10,835,337 of donated foods received and donated foods distributed.

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 \$185,347 in 2014 and \$189,627 in 2013.

9. Commitments and Contingencies:

During 2014 and 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 of \$1,250. The total rental income from these leases was \$15,000 for 2014 and \$9,570 for 2013.

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.

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 \$645,582 in 2014 and \$554,390 in 2013 for informational materials and activities that included fund-raising appeals. In 2014, of these costs, \$576,283 was allocated to fund-raising expenses, \$65,988 was allocated to program services, and \$3,311 was allocated to management and general expenses. 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.

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, 2014 and 2013.

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, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 1,309,937</u>	<u>\$ 2,300,505</u>	<u>\$ 3,610,442</u>

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>

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
Endowment 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)
Endowment net assets, June 30, 2013	\$ 912,640	\$ 2,300,105	\$ 3,212,745
Investment return:			
Investment income	142,508	-	142,508
Unrealized and realized gain on investments, net	403,988	-	403,988
Total investment return	546,496	-	546,496
New gifts	-	400	400
Appropriation of endowment assets for expenditure	(149,199)	-	(149,199)
Endowment net assets, June 30, 2014	\$ 1,309,937	\$ 2,300,505	\$ 3,610,442

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, 2014 and 2013.

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, 2014, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowed investments:			
Money market funds	\$ 232,479	\$ -	\$ 232,479
Bond funds	1,123,986	-	1,123,986
Equity securities:			
Utilities	67,893	-	67,893
Consumer discretionary	166,233	-	166,233
Consumer staples	103,339	-	103,339
Healthcare	187,426	-	187,426
Producer durables	193,031	-	193,031
Financial services	217,811	-	217,811
Materials and processing	47,980	-	47,980
Technology	256,363	-	256,363
Energy	194,544	-	194,544
Mutual funds:			
International large cap	421,585	-	421,585
Small cap value fund	397,772	-	397,772
	3,610,442	-	3,610,442
Donated food inventory	-	1,782,112	1,782,112
 Total	 \$ 3,610,442	 \$ 1,782,112	 \$ 5,392,554

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:

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, 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	1,385,485
Donated food	35,829,022
Food distributed	(32,953,490)
Food destroyed	<u>(2,478,905)</u>
Balance at June 30, 2014	<u><u>\$ 1,782,112</u></u>