



Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feed More, Inc. as of June 30, 2015 and 2014, 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized flourish at the end.

September 23, 2015
Glen Allen, Virginia

FEED MORE, INC.

Statements of Financial Position
June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 6,933,641	\$ 4,298,605
Certificates of deposit	-	1,470,921
Accounts receivable, net	111,067	89,802
Grants and contributions receivable	830,861	538,912
Prepaid expenses	149,178	25,683
Inventory	1,490,053	2,010,390
Property and equipment, net	10,313,152	10,020,239
Other assets	12,749	7,319
Endowed investments	<u>3,534,529</u>	<u>3,610,442</u>
	<u>\$ 23,375,230</u>	<u>\$22,072,313</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 638,125	\$ 186,304
Accrued expenses	404,687	395,179
Deferred revenue	<u>67,173</u>	<u>71,877</u>
Total liabilities	<u>1,109,985</u>	<u>653,360</u>
Net assets:		
Unrestricted net assets	17,823,277	17,327,002
Temporarily restricted net assets	2,089,806	1,791,446
Permanently restricted net assets	<u>2,352,162</u>	<u>2,300,505</u>
Total net assets	<u>22,265,245</u>	<u>21,418,953</u>
	<u>\$ 23,375,230</u>	<u>\$22,072,313</u>

See accompanying notes to the financial statements.

FEED MORE, INC.

Statement of Activities Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Program fees	\$ 1,245,503	\$ -	\$ -	\$ 1,245,503
Government fees	2,081,840	-	-	2,081,840
Government grants	37,120	233,088	-	270,208
Membership fees	25,723	-	-	25,723
Board and individual donations	2,334,291	111,142	51,657	2,497,090
Direct mail contributions	1,524,852	-	-	1,524,852
Civic organization contributions	523,233	107,000	-	630,233
Foundation grants and contributions	1,502,762	442,900	-	1,945,662
Corporate and other contributions	940,862	147,529	-	1,088,391
Special events, net of \$102,764 of expenses	514,526	-	-	514,526
Miscellaneous income	24,472	-	-	24,472
Interest and dividends	40,915	128,428	-	169,343
Donated foods received	<u>35,532,119</u>	<u>-</u>	<u>-</u>	<u>35,532,119</u>
 Total revenues and other support	 <u>46,328,218</u>	 <u>1,170,087</u>	 <u>51,657</u>	 <u>47,549,962</u>
Amounts released from restrictions	<u>787,292</u>	<u>(787,292)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	44,669,480	-	-	44,669,480
Management and general	785,487	-	-	785,487
Fund-raising	<u>1,176,227</u>	<u>-</u>	<u>-</u>	<u>1,176,227</u>
 Total expenses	 <u>46,631,194</u>	 <u>-</u>	 <u>-</u>	 <u>46,631,194</u>
Unrealized and realized loss on investments, net	-	(84,435)	-	(84,435)
Loss on sale of equipment	(3,041)	-	-	(3,041)
Rental income	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
 Change in net assets	 496,275	 298,360	 51,657	 846,292
Net assets, beginning of year	<u>17,327,002</u>	<u>1,791,446</u>	<u>2,300,505</u>	<u>21,418,953</u>
 Net assets, end of year	 <u>\$ 17,823,277</u>	 <u>\$ 2,089,806</u>	 <u>\$ 2,352,162</u>	 <u>\$ 22,265,245</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 Functional Expenses Year Ended June 30, 2015

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 3,443,454	\$ 517,457	\$ 330,985	\$ 4,291,896
Payroll taxes	278,074	39,470	26,485	344,029
Employee benefits	655,711	75,990	46,512	778,213
Total salaries and benefits	4,377,239	632,917	403,982	5,414,138
Advertising	92,179	-	82,814	174,993
Agency grants	99,799	-	-	99,799
Bad debts	7,851	-	-	7,851
Bank fees	28,901	5,679	28,900	63,480
Computer expenses	134,495	18,272	41,652	194,419
Dues and subscriptions	24,682	878	1,465	27,025
Education	3,556	-	-	3,556
Food purchases	1,602,254	-	821	1,603,075
Freight	49,995	-	-	49,995
Gas and oil	123,289	-	-	123,289
Insurance	40,253	4,840	600	45,693
Mailing house services	-	-	480,289	480,289
Miscellaneous	44,345	1,660	6,138	52,143
Office supplies	22,742	5,731	1,032	29,505
Off-site storage	19,989	-	-	19,989
Pest control	2,683	22	45	2,750
Postage	19,604	2,462	9,845	31,911
Printing and publications	91,465	789	35,841	128,095
Professional fees	132,938	60,412	25,525	218,875
Rent - equipment	49,593	5,103	46	54,742
Repairs and maintenance	288,630	4,078	5,627	298,335
Security	3,021	54	108	3,183
Staff training	25,886	13,342	2,144	41,372
Supplies	194,174	2,258	163	196,595
Taxes and licenses	3,064	387	252	3,703
Telephone	36,270	517	976	37,763
Temporary labor	119,042	5,360	13,415	137,817
Trash disposal	18,708	369	744	19,821
Travel expense	73,389	2,915	3,492	79,796
Utilities	192,101	2,571	5,185	199,857
Total expenses before depreciation, donated foods distributed, and food destroyed	7,922,137	770,616	1,151,101	9,843,854
Depreciation	674,222	14,871	25,126	714,219
Donated foods distributed	33,222,423	-	-	33,222,423
Food destroyed	2,850,698	-	-	2,850,698
Total expenses	<u>\$ 44,669,480</u>	<u>\$ 785,487</u>	<u>\$ 1,176,227</u>	<u>\$ 46,631,194</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.

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 846,292	\$ 1,338,809
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	714,219	729,250
Loss on sale of equipment	3,041	425
Unrealized and realized loss (gain) on investments, net	84,435	(403,988)
Decrease (increase) in donated in-kind inventory	541,002	(396,627)
Changes in operating assets and liabilities:		
Accounts receivable, net	(21,265)	(13,111)
Grants and contributions receivable, net	(291,949)	199,927
Prepaid expenses	(123,495)	35,697
Inventory	(20,665)	(33,359)
Other assets	(5,430)	2,066
Accounts payable	451,821	(30,359)
Accrued expenses	9,508	462
Deferred revenue	(4,704)	(78,059)
	2,182,810	1,351,133
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of equipment	250	26,013
Purchase of property and equipment	(1,010,423)	(132,488)
Proceeds from sale and maturities of investments	1,642,483	2,637,555
Purchases of investments	(180,084)	(142,908)
	452,226	2,388,172
Net cash provided by investing activities		
Net increase in cash and cash equivalents	2,635,036	3,739,305
Cash and cash equivalents, beginning of year	4,298,605	559,300
Cash and cash equivalents, end of year	\$ 6,933,641	\$ 4,298,605

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 families hunger relief programs.

2. **Summary of Significant Accounting Policies:**

Financial Statement Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

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

Cash Equivalents: The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of Deposit: The certificates of deposit, which may mature in up to one year, are redeemable on demand and are subject to varying early withdrawal penalties based on simple interest calculations.

Accounts Receivable: Accounts receivable is reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. The allowance for doubtful accounts receivable was \$5,000 at June 30, 2015 and \$3,000 at June 30, 2014.

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, 2015 and 2014, 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 unrestricted, temporarily or permanently restricted support as appropriate. Conditional promises are recorded when donor stipulations are substantially met. At June 30, 2015, there was a conditional promise to give from a local organization for \$37,500, which will be recorded when donor stipulations are met and is expected to occur in fiscal year 2016. At June 30, 2014, there were two conditional promises to give for \$200,000 and \$31,785, which were recorded in 2015.

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 \$1.70 at June 30, 2015 and \$1.72 at June 30, 2014, 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 \$1,241,110 as of June 30, 2015 and \$1,782,112 as of June 30, 2014.

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 \$248,943 as of June 30, 2015 and \$228,278 as of June 30, 2014. As of June 30, 2015 and June 30, 2014, 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 2012 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, 2015, temporarily restricted net assets include cash and investments of \$1,368,096, grant and contributions receivables of \$653,199, and prepaid expenses of \$68,511. At June 30, 2014, temporarily restricted net assets include cash and investments of \$1,408,091, grants and contribution receivables of \$380,648, and prepaid expenses of \$2,707. At June 30, 2015 and 2014, 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, 2015, permanently restricted net assets include investments of \$2,352,162. At June 30, 2014, permanently restricted net assets include investments of \$2,300,505. 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 10).

Recognition of Contributions and Grants: All contributions are considered to be available for unrestricted use 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 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 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 and transportation for the products. These shared program fees amounted to \$596,415 during 2015 and \$465,088 during 2014.

The Foodbank division also 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 \$304,858 during 2015 and \$319,459 during 2014.

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 \$168,745 during 2015 and \$173,413 during 2014.

The Community Kitchen delivers subsidized meals to other community organizations. These delivery program fees amounted to \$175,485 during 2015 and \$160,050 during 2014.

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 and money market balances at Wells Fargo Bank totaled \$6,441,361 at June 30, 2015 and \$2,305,092 at June 30, 2014. The money market balance at Xenith Bank was \$491,680 at June 30, 2015 and \$1,992,913 at June 30, 2014. The Organization also maintained a Certificate of Deposit Account Registry Service ("CDARS") balance of \$1,470,921 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 September 23, 2015, 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 unconditional promises to give and grants receivable, in the aggregate amount of \$830,861 as of June 30, 2015 and \$538,912 as of June 30, 2014. Grants receivable amounted to \$192,598 at June 30, 2015 and \$158,264 at June 30, 2014. Unconditional promises to give due in less than one year were \$602,263 at June 30, 2015 and \$324,648 at June 30, 2014. Unconditional promises to give due in one to three years were \$36,000 at June 30, 2015 and \$56,000 at June 30, 2014.

4. Property and Equipment:

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

	2015	2014
Land	\$ 604,820	\$ 604,820
Buildings	10,296,757	10,115,536
Automotive	1,197,977	1,057,928
Furniture and equipment	3,050,344	2,758,093
Construction in progress	338,141	11,356
	15,488,039	14,547,733
Less accumulated depreciation	5,174,887	4,527,494
Net property and equipment	\$10,313,152	\$10,020,239

Depreciation expense was \$714,219 for 2015 and \$729,250 for 2014.

5. Endowed Investments:

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

	2015		2014	
	Cost	Market Value	Cost	Market Value
Money market funds	\$ 173,574	\$ 173,574	\$ 232,479	\$ 232,479
Bond funds	1,143,800	1,143,197	1,108,913	1,123,986
Equity securities	1,153,835	1,373,645	1,089,194	1,434,620
Mutual funds	685,960	844,113	598,046	819,357
	\$ 3,157,169	\$ 3,534,529	\$ 3,028,632	\$ 3,610,442

FEED MORE, INC.

Notes to Financial Statements, Continued

5. Endowed Investments, Continued:

The investments held consist of endowment contributions, earnings, and unrealized gains and losses. At June 30, 2015 and 2014, the investments were held with Charles Schwab Institutional (see Note 11).

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 128,428	\$ 142,508
Net realized/unrealized (loss) gain	<u>(84,435)</u>	<u>403,988</u>
	<u>\$ 43,993</u>	<u>\$ 546,496</u>

6. 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 2015, the total of product handled amounted to 20,913,436 pounds, with usable product of 19,542,602 pounds, which was distributed through 320 member agencies. In 2014, the total of products handled amounted to 20,816,528 pounds, with usable product of 19,159,006 pounds, which was distributed through 340 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for in-kind inventory, totaled \$33,222,423 for 2015 and \$32,953,490 for 2014.

7. 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 \$161,820 in 2015 and \$185,347 in 2014.

8. Commitments and Contingencies:

During 2015 and 2014, the Organization leased certain advertising space on the Organization's building to an unrelated party. The lease called for monthly payments to the Organization of \$1,250. The total rental income from this lease was \$15,000 for 2015 and 2014.

FEED MORE, INC.

Notes to Financial Statements, Continued

8. **Commitments and Contingencies, Continued:**

The Organization has an operating lease for a copier through September 2019. The lease calls for monthly payments of \$1,300 for copier use and maintenance.

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

9. **Allocation of Joint Costs:**

The Organization incurred joint costs of \$640,295 in 2015 and \$645,582 in 2014 for informational materials and activities that included fund-raising appeals. In 2015, of these costs, \$525,975 was allocated to fund-raising expenses, \$111,069 was allocated to program services, and \$3,251 was allocated to management and general expenses. 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.

10. **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.

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.

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

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, 2015 and 2014.

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.

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.

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

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, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 1,182,367</u>	<u>\$ 2,352,162</u>	<u>\$ 3,534,529</u>

Endowment net asset composition by type of fund was as follows at June 30, 2014:

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

FEED MORE, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

Changes in endowment net assets were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	<u>\$ 912,640</u>	<u>\$ 2,300,105</u>	<u>\$ 3,212,745</u>
Investment return:			
Investment income	142,508	-	142,508
Unrealized and realized gain on investments, net	<u>403,988</u>	<u>-</u>	<u>403,988</u>
Total investment return	<u>546,496</u>	<u>-</u>	<u>546,496</u>
New gifts	<u>-</u>	<u>400</u>	<u>400</u>
Appropriation of endowment assets for expenditure	<u>(149,199)</u>	<u>-</u>	<u>(149,199)</u>
Endowment net assets, June 30, 2014	1,309,937	2,300,505	3,610,442
Investment return:			
Investment income	128,428	-	128,428
Unrealized and realized loss on investments, net	<u>(84,435)</u>	<u>-</u>	<u>(84,435)</u>
Total investment return	<u>43,993</u>	<u>-</u>	<u>43,993</u>
New gifts	<u>-</u>	<u>51,657</u>	<u>51,657</u>
Appropriation of endowment assets for expenditure	<u>(171,563)</u>	<u>-</u>	<u>(171,563)</u>
Endowment net assets, June 30, 2015	<u>\$ 1,182,367</u>	<u>\$ 2,352,162</u>	<u>\$ 3,534,529</u>

FEED MORE, INC.

Notes to Financial Statements, Continued

11. 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, 2015 and 2014.

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). Food destroyed represents food resulting from spoilage.

FEED MORE, INC.

Notes to Financial Statements, Continued

11. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2015, include the following:

	Fair Value Using		Assets
	Level 1	Level 3	at Fair Value
Assets:			
Endowed investments:			
Money market funds	\$ 173,574	\$ -	\$ 173,574
Bond funds	1,143,197	-	1,143,197
Equity securities:			
Utilities	105,372	-	105,372
Consumer discretionary	190,790	-	190,790
Consumer staples	105,017	-	105,017
Healthcare	225,322	-	225,322
Producer durables	158,769	-	158,769
Financial services	241,387	-	241,387
Technology	223,584	-	223,584
Energy	123,405	-	123,405
Mutual funds:			
International large cap	434,740	-	434,740
Small cap value fund	409,372	-	409,372
	3,534,529	-	3,534,529
Donated food inventory	-	1,241,110	1,241,110
Total	\$ 3,534,529	\$ 1,241,110	\$ 4,775,639

FEED MORE, INC.

Notes to Financial Statements, Continued

11. 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

11. 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, 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	1,782,112
Donated food	35,532,119
Food distributed	(33,222,423)
Food destroyed	<u>(2,850,698)</u>
Balance at June 30, 2015	<u>\$ 1,241,110</u>

SUPPLEMENTAL INFORMATION

FEED MORE, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Pass-Through Programs from:			
Virginia Department of Agriculture and Consumer Services:			
Emergency Food Assistance Program (Administrative Costs)	10.568	67-300	\$ 179,042
Emergency Food Assistance Program (Food Commodities)	10.569	67-300	<u>1,303,134</u>
Total Food Distribution Cluster			1,482,176
Summer Food Service Program	10.559	67-300	379,873
Child and Adult Care Food Program	10.558	67-300	<u>893,025</u>
Total U.S. Department of Agriculture			<u>2,755,074</u>
U.S. Department of Health and Human Services Pass-Through Programs from:			
Senior Connections - Capital Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	589,092
Jefferson Area Board of Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	24,818
Crater District Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	Unknown	<u>19,369</u>
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			<u>633,279</u>
Total U.S. Department of Health and Human Services			<u>633,279</u>
Total			<u>\$ 3,388,353</u>

FEED MORE, INC.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Feed More, Inc. and is presented on the basis of accounting as described in Note 2 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note B – Nonmonetary Assistance

Of the amount reported on the Schedule of Expenditures of Federal Awards, \$1,303,134 is nonmonetary assistance (food commodities) for 2015, based on amounts issued. As of June 30, 2015 the Organization had the following nonmonetary inventory:

USDA food commodities	<u>\$ 54,888</u>
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**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Feed More, Inc.
Richmond, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Feed More, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Keiter", with a long, sweeping horizontal stroke extending to the right.

September 23, 2015
Glen Allen, Virginia

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Feed More, Inc.
Richmond, Virginia:

Report on Compliance for Each Major Federal Program

We have audited Feed More, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed certain instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs as item 2015-1. Our opinion on each major program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-1, that we consider significant deficiencies.

The Organization's response to the internal control over compliance findings indentified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

September 23, 2015
Glen Allen, Virginia

FEED MORE, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS:

- (1) The accountants' report expresses an unmodified opinion on the financial statements.
- (2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit.
- (3) No noncompliance which is material to the financial statements was disclosed by the audit.
- (4) A significant deficiency relating to the audit of the major federal award programs was disclosed by the audit.
- (5) Unmodified opinion on compliance for major programs.
- (6) Audit findings were disclosed by the audit.
- (7) Major Programs:

	Federal CFDA
	<u>Number</u>
Emergency Food Assistance Program Cluster	10.568 & 10.569
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (9) The auditee did qualify as a low risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

None

FEED MORE, INC.

Schedule of Findings and Questioned Costs, Continued Year Ended June 30, 2015

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

2015-1 – U.S. Department of Agriculture – The Emergency Food Program Cluster - CFDA No. 10.568 & 10.569; Grant Period: Year Ended June 30, 2015

Criteria and Condition: The Grant requires the Organization to perform a review of participating Emergency Feeding Organizations (“EFO”) a minimum of every two years.

Context: A sample of 10 EFO’s from a population of 62 was selected for audit. Our test found that even though the reviews of the participating EFO’s were complete, 7 of the EFO reviews conducted exceeded the allowable two year period.

Cause: Lack of formal procedures in place to track reviews and monitor compliance with the requirement to perform the review within two years of the previous review.

Effect: Food distributed to the Organization could be reduced or eliminated. Reimbursements for administrative fees could be disallowed.

Recommendation: The Organization’s system tracks the two year due date for EFO reviews. The Organization should develop and implement formal procedures to utilize this information to ensure compliance with the EFO review requirements. We recommend appropriate management personnel review this information on a monthly basis to identify needed, upcoming reviews to ensure completion within the two year window.

FEED MORE, INC.

Corrective Action Plan
Year Ended June 30, 2015

Finding 2015-1: Thank you for bringing this issue to our attention. We are making the following changes to our review and supervisory processes to ensure that we meet this compliance standard in the future:

- Staff will schedule a monitoring review during month 21 of the 24 month review period to better accommodate agency circumstances and assure all reviews are conducted within the 2 year interval.
- Each month a supervisory review of monitoring compliance for all agencies will be conducted to identify potential delinquencies and ensure all reviews are conducted in compliance with the required 24 month review standard.

FEED MORE, INC.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Not Applicable