

FEEDING AMERICA

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

FEEDING AMERICA

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Feeding America:

We have audited the accompanying statements of financial position of Feeding America as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Feeding America's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Feeding America's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding America as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 22, 2011

FEEDING AMERICA

Statements of Financial Position

June 30, 2011 and 2010

(In thousands)

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 11,304	12,428
Short-term investments	5,931	5,797
Contributions receivable	16,448	11,600
Accounts and notes receivable	6,498	6,101
Other assets	502	717
Total current assets	<u>40,683</u>	<u>36,643</u>
Long-term investments	12,642	11,230
Contributions receivable, net	10,571	6,962
Notes receivable	1,315	1,399
Other assets	25	25
Furniture and equipment, net of accumulated depreciation of \$1,966 and \$1,448 in 2011 and 2010, respectively	2,003	1,863
Total assets	<u>\$ 67,239</u>	<u>58,122</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,578	9,656
Deferred revenue	312	645
Current portion of loan payable and other obligations	565	317
Current portion of leases payable	99	152
Total current liabilities	<u>13,554</u>	<u>10,770</u>
Loan payable	1,625	2,125
Leases payable	1,964	1,986
Other obligations	1,592	341
Total liabilities	<u>18,735</u>	<u>15,222</u>
Net assets:		
Unrestricted	15,172	17,054
Temporarily restricted	31,795	24,370
Permanently restricted	1,537	1,476
Total net assets	<u>48,504</u>	<u>42,900</u>
Total liabilities and net assets	<u>\$ 67,239</u>	<u>58,122</u>

See accompanying notes to financial statements.

FEEDING AMERICA

Statements of Activities

Years ended June 30, 2011 and 2010

(In thousands)

	2011				2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Public support and revenue:								
Public support:								
Individual contributions	\$ 30,683	7,777	—	38,460	25,082	202	—	25,284
Corporate contributions	12,220	12,452	—	24,672	21,618	21,611	—	43,229
Foundations	14,391	686	—	15,077	13,463	916	—	14,379
Corporate promotions	15,035	3,526	—	18,561	11,792	868	—	12,660
Total fundraising	72,329	24,441	—	96,770	71,955	23,597	—	95,552
Donated goods and services	1,066,245	—	—	1,066,245	584,043	—	—	584,043
Total public support	1,138,574	24,441	—	1,163,015	655,998	23,597	—	679,595
Revenue:								
Member fees	2,375	—	—	2,375	2,687	—	—	2,687
Conference fees	1,155	—	—	1,155	761	—	—	761
Other revenue	1,003	—	—	1,003	589	—	—	589
Food procurement revenue	51,556	—	—	51,556	34,938	—	—	34,938
Investment income	176	—	—	176	304	—	—	304
Investment return designated for operations	698	—	—	698	628	—	—	628
Net assets released from restriction	17,211	(17,211)	—	—	10,159	(10,159)	—	—
Total public support and revenue	1,212,748	7,230	—	1,219,978	706,064	13,438	—	719,502
Expenses:								
Program services:								
Member services	43,796	—	—	43,796	38,430	—	—	38,430
Food procurement	1,129,453	—	—	1,129,453	628,773	—	—	628,773
Public awareness and education	5,922	—	—	5,922	5,314	—	—	5,314
Public programs and policy	3,832	—	—	3,832	3,763	—	—	3,763
Research and analysis	1,080	—	—	1,080	2,043	—	—	2,043
Total program services	1,184,083	—	—	1,184,083	678,323	—	—	678,323
Supporting services:								
Management and general	10,119	—	—	10,119	9,336	—	—	9,336
Fund development	21,474	—	—	21,474	18,283	—	—	18,283
Total supporting services	31,593	—	—	31,593	27,619	—	—	27,619
Total expenses	1,215,676	—	—	1,215,676	705,942	—	—	705,942
Increase (decrease) in net assets as a result of operations	(2,928)	7,230	—	4,302	122	13,438	—	13,560
Nonoperating activities:								
Wills and bequests	681	—	—	681	1,452	—	—	1,452
Individual contributions	—	—	40	40	—	—	28	28
Investment return	1,135	216	—	1,351	1,258	231	—	1,489
Other	(72)	(21)	21	(72)	(80)	(193)	21	(252)
Investment return designated for operations	(698)	—	—	(698)	(628)	—	—	(628)
Loss on disposition of furniture and equipment	—	—	—	—	(2)	—	—	(2)
Changes in net assets	(1,882)	7,425	61	5,604	2,122	13,476	49	15,647
Net assets at beginning of year	17,054	24,370	1,476	42,900	14,932	10,894	1,427	27,253
Net assets at end of year	\$ 15,172	31,795	1,537	48,504	17,054	24,370	1,476	42,900

See accompanying notes to financial statements.

FEEDING AMERICA
Statement of Functional Expenses
Year ended June 30, 2011
(In thousands)

	Member services			Program services				Supporting services			Total expenses
	Member services	Food procurement	Total member services	Public awareness and education	Public programs and policy	Research and analysis	Total program services	Management and general	Fund development	Total supporting services	
Salaries	\$ 3,893	3,377	7,270	1,272	1,886	503	10,931	5,037	4,758	9,795	20,726
Benefits and taxes	988	936	1,924	253	440	111	2,728	1,273	1,107	2,380	5,108
Total salaries and related expenses	4,881	4,313	9,194	1,525	2,326	614	13,659	6,310	5,865	12,175	25,834
Professional services and fees	3,076	381	3,457	1,786	454	300	5,997	1,785	3,946	5,731	11,728
Professional development	3	2	5	2	1	—	8	202	3	205	213
Supplies	87	50	137	15	30	6	188	110	80	190	378
Telecommunications	112	91	203	23	60	15	301	253	139	392	693
Publications and membership:	27	17	44	7	84	1	136	73	46	119	255
Advertising	7	20	27	2,005	5	—	2,037	3	272	275	2,312
Postage and shipping	14	7	21	3	19	1	44	28	3,460	3,488	3,532
Disaster purchases and transportation	—	898	898	—	—	—	898	—	—	—	898
Food sourcing and transportation	1,992	55,433	57,425	3	—	—	57,428	—	—	—	57,428
Occupancy	185	130	315	88	363	47	813	386	293	679	1,492
Insurance	15	10	25	7	4	2	38	30	24	54	92
Equipment and maintenance	306	29	335	12	21	5	373	68	49	117	490
Printing and production	116	48	164	210	224	16	614	40	6,537	6,577	7,191
Travel and business meetings:	1,258	479	1,737	178	209	57	2,181	356	604	960	3,141
Special events	7	1	8	2	4	1	15	26	10	36	51
Software expense	131	7	138	1	1	—	140	19	4	23	163
Member grants	30,965	2,028	32,993	—	—	—	32,993	—	—	—	32,993
Miscellaneous	—	—	—	5	—	—	5	19	5	24	29
Depreciation	83	58	141	40	23	14	218	170	130	300	518
Total expenses before donated goods and services	43,265	64,002	107,267	5,912	3,828	1,079	118,086	9,878	21,467	31,345	149,431
Donated goods and services	531	1,065,451	1,065,982	10	4	1	1,065,997	241	7	248	1,066,245
Total	\$ 43,796	1,129,453	1,173,249	5,922	3,832	1,080	1,184,083	10,119	21,474	31,593	1,215,676
Percent of total expenses	3.60%	92.91%	96.51%	0.49%	0.32%	0.09%	97.40%	0.83%	1.77%	2.60%	100.00%

See accompanying notes to financial statements.

FEEDING AMERICA
Statement of Functional Expenses
Year ended June 30, 2010
(In thousands)

	Member services			Program services				Supporting services			Total expenses
	Member services	Food procurement	Total member services	Public awareness and education	Public programs and policy	Research and analysis	Total program services	Management and general	Fund development	Total supporting services	
Salaries	\$ 3,210	3,253	6,463	1,274	1,523	471	9,731	4,102	3,434	7,536	17,267
Benefits and taxes	731	784	1,515	238	367	84	2,204	1,048	796	1,844	4,048
Total salaries and related expenses	3,941	4,037	7,978	1,512	1,890	555	11,935	5,150	4,230	9,380	21,315
Professional services and fees	5,727	344	6,071	1,435	870	1,263	9,639	2,413	3,352	5,765	15,404
Professional development	14	8	22	—	6	—	28	140	2	142	170
Supplies	114	45	159	31	41	5	236	60	50	110	346
Telecommunications	69	58	127	33	39	8	207	201	87	288	495
Publications and membership:	30	14	44	5	16	—	65	56	24	80	145
Advertising	43	—	43	1,096	50	—	1,189	—	538	538	1,727
Postage and shipping	12	7	19	11	8	4	42	25	3,395	3,420	3,462
Disaster purchases and transportation	—	259	259	—	—	—	259	—	—	—	259
Food sourcing and transportation	2,540	39,088	41,628	10	—	—	41,638	—	—	—	41,638
Occupancy	200	170	370	108	382	36	896	322	223	545	1,441
Insurance	18	15	33	10	10	3	56	12	10	22	78
Equipment and maintenance	275	44	319	14	31	5	369	60	41	101	470
Printing and production	49	43	92	227	130	112	561	44	5,862	5,906	6,467
Travel and business meetings:	1,227	278	1,505	205	240	32	1,982	335	305	640	2,622
Special events	6	5	11	245	—	1	257	22	5	27	284
Software expense	409	4	413	1	2	—	416	14	4	18	434
Member grants	23,618	857	24,475	—	—	—	24,475	—	—	—	24,475
Miscellaneous	—	—	—	7	—	—	7	89	17	106	113
Depreciation	107	99	206	49	41	17	313	117	124	241	554
Total expenses before donated goods and services	38,399	45,375	83,774	4,999	3,756	2,041	94,570	9,060	18,269	27,329	121,899
Donated goods and services	31	583,398	583,429	315	7	2	583,753	276	14	290	584,043
Total	\$ 38,430	628,773	667,203	5,314	3,763	2,043	678,323	9,336	18,283	27,619	705,942
Percent of total expenses	5.44%	89.07%	94.51%	0.75%	0.53%	0.29%	96.09%	1.32%	2.59%	3.91%	100.00%

See accompanying notes to financial statements.

FEEDING AMERICA

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(In thousands)

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 5,604	15,647
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	518	554
Provision for uncollectible notes receivable	(2)	212
Deferred lease obligation	(75)	(71)
Net gain on investments	(1,133)	(1,339)
Net loss on disposition of furniture and equipment	—	2
Contributions designated for long-term investment	(721)	(1,480)
Changes in operating assets and liabilities:		
Contributions receivable	(8,457)	(17,770)
Accounts receivable and other assets	(120)	(2,194)
Accounts payable and accrued expenses	2,922	2,344
Deferred revenue	(333)	548
Other obligations	1,251	(214)
Net cash used in operating activities	(546)	(3,761)
Cash flows from investing activities:		
Purchase of investments	(24,145)	(19,061)
Sale or maturity of investments	23,732	29,928
Acquisition of furniture and equipment	(658)	(84)
Issuance of notes receivable to members	(1,168)	(2,469)
Notes receivable repayments	1,190	353
Net cash provided by (used in) investing activities	(1,049)	8,667
Cash flows from financing activities:		
Proceeds from issuance of loan payable	—	2,500
Repayment of loan payable	(250)	(125)
Contributions designated for long-term investment	721	1,480
Net cash provided by financing activities	471	3,855
Net increase (decrease) in cash and cash equivalents	(1,124)	8,761
Cash at beginning of year	12,428	3,667
Cash at end of year	\$ 11,304	12,428

See accompanying notes to financial statements.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(1) Organization and Purpose

Feeding America is the nation's leading domestic hunger-relief charity. The mission of Feeding America is to feed America's hungry through a nationwide network of member food banks and engage our country in the fight to end hunger. The network is composed of more than 200 food banks, which serves all 50 states, the District of Columbia, and Puerto Rico. Each member food bank is an independent nonprofit organization that enters into a contract with Feeding America. Feeding America's national office is located in Chicago, Illinois. The public policy office is located in Washington D.C.

Feeding America is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 509(a) of the Code.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The financial statements of Feeding America have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Management of Feeding America has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those results but, in the opinion of management, such differences would not be material.

(b) *Cash*

Cash is composed of available cash balances. Feeding America maintains its cash in bank deposit accounts.

(c) *Investments and Related Income, Gains, and Losses*

Investments in equity and debt securities are reported at fair value. Fair values are primarily determined based on quoted market prices or other market inputs. Interest and dividends on short-term and long-term investments are included in operating revenue. All other investment income, including realized and unrealized gains and losses on short-term and long-term investments, is reported as nonoperating gains and losses. Investment returns on donor-restricted endowment funds are recorded to temporarily restricted net assets. Management fees on investments are recorded as a reduction to investment income.

Feeding America records its investments under Accounting Standards Codification (ASC) Subtopic 820-10, Fair Value Measurements, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 4).

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(d) Contributions Receivable

Feeding America reports unconditional promises to give as contributions. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the organization over a period of years, they are recorded at the present value of their estimated cash flows using the prime rate as of the fiscal year-end in the year of donation. Contributions receivable amounts due in excess of one year after June 30, 2011 have been discounted to net realizable value at a discount rate of 3.25%. Gross contributions receivable within one year are \$16,448 and from 1 to 5 years are \$10,978 as of June 30, 2011.

(e) Furniture and Equipment

Furniture and equipment are stated on the basis of cost at date of purchase or, if donated, at fair value at the date of donation. Depreciation is computed using the half-year convention straight-line method over the estimated useful lives of the assets.

(f) Gift Annuities

Feeding America enters into agreements with donors in which the donor contributes assets in exchange for an annuity to be paid to the donor or their designee for a specified period of time. Annually, the annuity liability is readjusted based upon actuarial projections of future payments over the remaining life expectancy of the donor or their designee. Upon termination, any residual amount is recognized as nonoperating revenue.

(g) Donated Goods and Services

Feeding America reports the fair value of gifts of donated food and grocery products over which it has control (i.e., variance power) as unrestricted public support and, shortly thereafter, as expense when granted to member food banks. During the years ended June 30, 2011 and 2010, Feeding America distributed approximately 641 million pounds and 364 million pounds, respectively, of donated product received from approximately 256 national donors and their subsidiaries. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.66 during 2011 and \$1.60 during 2010, was based upon a study performed by Feeding America. Many of the national donors donate food and grocery products directly to local members. During 2011, Feeding America entered into written contracts with four national donors to distribute grocery products directly to its local members. The pounds distributed to member food banks under these agreements amounted to 311 million pounds as of June 30, 2011. The dollar amount of these pounds distributed to member food banks under these agreements is approximately \$517 million and is included within donated goods and services in the accompanying financial statements. Any remaining donations made directly to local member food banks from national donors with whom Feeding America does not have a written agreement, are not included in the accompanying financial statements because Feeding America does not have written agreements with such donors granting Feeding America explicit authority over the distribution of such donated goods and services (note 10).

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to Feeding America. For those services that do not require special expertise, the

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

estimated value of such donated services has not been recorded in the financial statements. In-kind donations and services for which fair value can be validated and requiring specific expertise have been reflected in the financial statements at their estimated fair value. In-kind media support is not reflected in the accompanying financial statements (note 2(i)). For the years ended June 30, 2011 and 2010, Feeding America received approximately \$1,066,245 and \$584,043 in donated product and services, respectively.

(h) Contributions

Feeding America maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on Feeding America as a whole and to present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into three classes of net assets – permanently restricted, temporarily restricted, or unrestricted.

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.

Corporate promotions differ from corporate contributions in that there is a promotional factor involved with the donor. Both Feeding America and the donor receive more advertising and publicity through this type of effort than through a normal corporate contribution. The amount of the funds received is typically based on the promotional activity.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of donor restrictions and are reported in the statements of activities as net assets released from restrictions. Restrictions expiring on contributions received in the same year result in a reclassification from temporarily restricted to unrestricted revenue.

Feeding America accounts for endowment funds under ASC Subtopic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. ASC Subtopic 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958-205-45 enhances disclosures related to both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA (note 7).

(i) Donated Media (Unaudited)

Feeding America considers donated media as contributions because they are voluntary nonreciprocal transfers from other entities. However, the value of donated media has not been recognized as

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

donated services revenue in fiscal years 2011 or 2010 as management of Feeding America is currently unable to validate the methodologies used to estimate the fair value of donated media. Accordingly, donated media is not recognized as in-kind contribution revenue in the accompanying financial statements given the major uncertainties about the estimated value of donated media. During the period of July 1, 2010 to March 31, 2011 and the year ended June 30, 2010, Feeding America's Public Service Announcement campaign in partnership with Ad Council received \$35.9 million and \$43 million, respectively, in donated media support, mainly through radio, television, and outdoor channels, as estimated by the Ad Council.

(j) Operations

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and the restrictions are not met in the current fiscal year. Expenses are reported as decreases in unrestricted net assets.

Member fees include annual fees assessed to member organizations as well as additional fees to help defray the costs of the comprehensive quadrennial hunger study, fundraising audits, and the expenses of the annual donated product valuation study.

Food procurement revenues are fees paid by member food banks to the National Office to cover the cost of packaging, transportation, and processing donated food or procurement costs associated with Feeding America's grocery program.

Conference fees represent registration fees and sponsorships for the various conferences that are sponsored by Feeding America for the benefit of member organizations. Conference fees received but not earned as of June 30 are reclassified into deferred revenue. Other revenue includes funds received from the sale of Feeding America mailing lists to other nonprofit organizations and fees for National Office sponsored training programs.

During the course of business, Feeding America receives agency funds on behalf of member organizations. Agency funds received and distributed to member organizations are not reported as revenue, support, or expenses within the statements of activities as Feeding America lacks variance power to direct the use of the funds. During 2011 and 2010, respectively, Feeding America received approximately \$649 and \$1,300 in agency funds and all but \$8 and \$12 was distributed to member food banks and is included in accounts payable and accrued expenses at fiscal year-end.

As of June 30, 2011, Feeding America accrued expenses of \$7,289 of unconditional promises to give for child hunger programs, technology grants, mobile pantry, and general use vehicles that have been awarded to member organizations. Amounts payable within one year are \$6,024 and are included in accounts payable and accrued expenses. Amounts payable within 1 to 5 years are \$1,265 and are included in other noncurrent obligations.

Advertising costs are expensed as incurred.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(k) Functional Allocation of Expenses

The cost of providing the various programs and supporting services are summarized on a functional basis in the statement of functional expenses. Certain costs are allocated among the program and supporting services benefited.

(l) Reclassifications

Certain amounts presented in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

(3) Investments

(a) Overall Investment Objective

Feeding America maintains a short-term and long-term investment portfolio. The purpose of the short term investment portfolio is to provide sufficient liquidity to meet the financial obligations of Feeding America in a timely manner without requiring liquidation of assets from the long-term investment pool. The investment objectives are preservation of capital, liquidity, and optimization of the investment returns.

(b) Allocation of Investment Strategies

Short-term funds are invested in low or risk-free investments with a high degree of liquidity. Investments should have a maturity for a period not to exceed 180 days. The investment managers are allowed to use derivative securities to reduce portfolio risk. Refer to note 7 for long-term portfolio investment objectives and strategies.

The cost and fair value of short- and long-term investments at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
Government and agency securities and mutual funds	\$ 4,123	4,181	3,660	3,725
Domestic equities	3,891	4,140	1,093	1,208
Corporate bonds and fixed income mutual funds	4,722	4,835	3,719	3,898
Asset-backed securities and mutual funds	1,815	1,813	1,929	1,930
Money market funds	2,145	2,145	6,049	6,099
International equities	1,238	1,431	154	140
Limited partnership	28	28	27	27
	\$ 17,962	18,573	16,631	17,027

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

Investment return for the years ended June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Return on investments:		
Interest and dividends	\$ 394	454
Gains (losses) on investments:		
Net realized gains	873	1,504
Net change in unrealized gains (losses)	260	(165)
Net gain on investments	<u>1,133</u>	<u>1,339</u>
Total return on investments	<u>\$ 1,527</u>	<u>1,793</u>

Long-term investments at June 30, 2011 and 2010 include \$582 and \$936 in a Disaster Relief Fund, respectively.

(4) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by Feeding America in estimating the fair value of its financial instruments:

- The carrying amount reported in the statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash, accounts payable, and accrued expenses.
- Short-term and long-term investments: Domestic equities, international equities, government and agency securities and mutual funds, asset-backed securities and mutual funds, corporate bonds and fixed income mutual funds, limited partnership, and money market funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(b) Fair Value Hierarchy

Feeding America follows the guidance of ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Feeding America has the ability to access at the measurement date. Level 1 assets include cash that comprises demand deposits with commercial banks, domestic and international equity securities, and money market funds that consist primarily of U.S. Treasury obligations.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include government and agency securities, corporate bonds, asset-backed securities, and a limited partnership fund.
- Level 3 inputs are unobservable inputs for the asset or liability. Feeding America had no Level 3 assets as of June 30, 2011 and 2010.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2011:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Cash	\$ 11,304	11,304	—	—
Government and agency securities and mutual funds	4,181	253	3,928	—
Domestic equities	4,140	4,140	—	—
Corporate bonds and fixed income mutual funds	4,835	3,931	904	—
Asset-backed securities and mutual funds	1,813	80	1,733	—
Money market funds	2,145	2,145	—	—
International equities	1,431	1,431	—	—
Limited partnership	28	—	28	—
Total	<u>\$ 29,877</u>	<u>23,284</u>	<u>6,593</u>	<u>—</u>

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2010:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash	\$ 12,428	12,428	—	—
Government and agency securities and mutual funds	3,725	—	3,725	—
Domestic equities	1,208	1,208	—	—
Corporate bonds and fixed income mutual funds	3,898	3,052	846	—
Asset-backed securities	1,930	—	1,930	—
Money market funds	6,099	6,099	—	—
International equities	140	140	—	—
Limited partnership	27	—	27	—
Total	<u>\$ 29,455</u>	<u>22,927</u>	<u>6,528</u>	<u>—</u>

(5) Commitments and Contingencies

(a) Operating Leases

On August 14, 2000, Feeding America entered into a noncancelable operating lease for certain office space that commenced on January 1, 2001, after substantial completion of Feeding America's renovation of the premises. Feeding America has amended the operating lease periodically to include additional office space.

On May 11, 2007, Feeding America entered into a noncancelable operating lease for certain office space at One Constitution Avenue, N.E. in Washington D.C. that commenced on May 1, 2007.

Both leases contain annual escalation clauses, and accordingly, rent expense is recorded on the straight-line basis over the life of the respective leases. Amounts reported in the accompanying statements of financial position as leases payable represent rental expense recognized in excess of lease payments made as of June 30, 2011 and 2010. Lease expense under the terms of all operating leases amounted to approximately \$1,432 in 2011 and \$1,388 in 2010 and is reported within occupancy expenses.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

Future minimum lease payments as of June 30, 2011 are as follows:

Fiscal year ending June 30:	
2012	\$ 1,607
2013	1,374
2014	1,399
2015	1,424
2016	1,450
Thereafter	<u>6,704</u>
Total minimum lease payments	\$ <u><u>13,958</u></u>

(b) Line of Credit

Feeding America has a \$5,000 secured line of credit from its primary bank that bears interest at Libor Daily Floating rate plus 2%. The line of credit is secured by an asset management investment account held at a broker-dealer company. There were no borrowings outstanding under the line of credit at June 30, 2011 and 2010. The line of credit expires on November 30, 2011.

(c) Loan Payable

On August 31, 2009, Feeding America entered into a loan agreement with an unrelated foundation for \$2,500. Proceeds from the borrowing were loaned to member organizations through a competitive bid process for the acquisition of store donation and mobile pantry vehicles (note 8). The loan bears interest at a fixed rate of 2.00% per annum. Principal payments are due semiannually beginning June 30, 2010 through maturity of August 31, 2014. Principal payments due in 2012 of \$500 are included in current portion of loans payable and other obligations in the accompanying June 30, 2011 statement of financial position. Scheduled principal repayments on the loan payable according to the loan agreement are as follows:

Year ending June 30:	
2012	\$ 500
2013	500
2014	562
2015	<u>563</u>
	\$ <u><u>2,125</u></u>

(d) Litigation

Feeding America is named in various lawsuits arising in the ordinary course of business. Management is not aware of any asserted lawsuits against Feeding America as of June 30, 2011. Feeding America has not provided for any potential future losses arising from any asserted or unasserted litigation in the accompanying financial statements. Despite the inherent uncertainties of litigation, is not aware of any litigatory matters that may have a material adverse impact on the financial condition of Feeding America at this time.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(6) Temporarily Restricted Funds

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2011 and 2010:

	2011	2010
Member services	\$ 16,944	10,117
Public programs and policy	8,072	12,418
Research and analysis	3,196	—
Food procurement	1,457	1,694
Public awareness and education	50	—
Management and general	2,076	141
Total temporarily restricted funds	\$ 31,795	24,370

(7) Endowments

Feeding America follows the guidance of Subtopic 958 related to net asset classification and required disclosures of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA.

Feeding America's endowment consists of approximately 13 individual funds established for a variety of purposes including donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following at June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ —	315	1,537	1,852
Board-designated reserve funds	8,390	—	—	8,390
Disaster relief funds	582	—	—	582
Total endowment net assets	\$ 8,972	315	1,537	10,824

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	166	1,476	1,642
Board-designated reserve funds	7,576	—	—	7,576
Disaster relief funds	936	—	—	936
Total endowment net assets	<u>\$ 8,512</u>	<u>166</u>	<u>1,476</u>	<u>10,154</u>

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	\$ 8,512	166	1,476	10,154
Investment return	1,037	194	21	1,252
Contributions	—	—	40	40
Appropriated expenditures of endowment assets	(577)	(45)	—	(622)
Endowment net assets, June 30, 2011	<u>\$ 8,972</u>	<u>315</u>	<u>1,537</u>	<u>10,824</u>

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ 7,634	—	1,427	9,061
Investment return	1,085	210	21	1,316
Contributions	—	—	28	28
Appropriated expenditures of endowment assets	(207)	(44)	—	(251)
Endowment net assets, June 30, 2010	<u>\$ 8,512</u>	<u>166</u>	<u>1,476</u>	<u>10,154</u>

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Feeding America to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2011 and 2010.

(b) Return Objectives and Risk Parameters

Feeding America has adopted investment and spending policies for endowments assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of Dow Jones Wilshire 5000 Index, the MSCI EAFE Index, the Dow Jones-AIG Commodities Index, and the Barclays Capital Aggregate Bond Index while assuming a moderate level of investment risk.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Feeding America 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). Feeding America targets a diversified asset allocation that places emphasis on investments in equities, bonds, and other securities in a 55-35-10 percent ratio to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the Board's Stewardship Committee, which oversees the investment program in accordance with established guidelines.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

Feeding America has a policy of appropriating for distribution each year 3% of its endowment funds' average fair value over the prior three years through the June 30th preceding the fiscal year in which the distribution is planned. In establishing these policies, Feeding America considered the expected return on its endowment. Accordingly, Feeding America expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

(8) Related-Party Transactions

For the years ended June 30, 2011 and 2010, Feeding America recorded approximately \$18,644 and \$23,666, respectively, in cash and pledges and \$531,159 and \$112,593 in goods and services from companies that have representatives who are members of Feeding America's board of directors. At June 30, 2011 and 2010, Feeding America had \$6,794 and \$13,154 of pledges receivable, respectively, from companies that have representatives who are members of Feeding America's board of directors.

FEEDING AMERICA

Notes to Financial Statements

June 30, 2011 and 2010

On August 31, 2009, Feeding America entered into a loan agreement with an unrelated foundation for \$2,500 (note 5). Proceeds from the borrowing were loaned to member organizations through a competitive bid process and used for the acquisition of store donation and mobile pantry vehicles. Loans to member organizations bear interest at 2.00% beginning in year 2 of the agreement and escalate by an additional 1.00% each year until maturity. During 2010, Feeding America issued a first round of loans to 19 member food banks in the amount of \$2,469. As of June 30, 2011 and June 30, 2010, \$1,076 and \$2,116 are outstanding, respectively. The loan agreements expire December 31, 2013 and are secured by a security agreement in the assets purchased by the member organizations.

During 2011, Feeding America funded a second round of loans using proceeds from repayments from the first round. Through a competitive bid process, 10 additional member food banks received funds for the purchase of vehicles in the amount of \$1,168, of which \$1,018 is outstanding as of June 30, 2011. Loan terms are consistent with first round of loans and the loan agreements expire on December 31, 2014. Feeding America has recognized an allowance estimated for uncollectible notes receivable of 10.00% of the outstanding principal balance. At June 30, 2011 and 2010, an allowance of \$210 and \$212, respectively, was recorded as a reduction to notes receivable. Principal payments on notes receivable due from member organizations of \$570 and \$505, respectively, are included in accounts and notes receivable in the accompanying 2011 and 2010 statements of financial position.

(9) Retirement Plan

Feeding America provides a 401(k) defined contribution plan for substantially all employees. In addition to employee contributions, Feeding America also contributes 6% of each participant's compensation. Feeding America provides an additional 2% matching contribution if the employee contributes a minimum of 5% of their salary to the Plan. These employer contributions are made beginning with the employee's participation in the Plan (the employee's date of hire). Effective July 1, 2011, Feeding America's contribution will be 3% and the additional matching contribution will be 3% if the employee contributes a minimum of 1% of their salary to the Plan. Total retirement expense and contributions made by Feeding America for the years ended June 30, 2011 and 2010 were approximately \$1,380 and \$1,162, respectively.

(10) Direct Donations

During the years ended June 30, 2011 and 2010, the Feeding America Network distributed approximately 1,009 million pounds and 960 million pounds, respectively, of food and grocery products. This total includes donations that were distributed directly to member organizations from national donors as well as donations over which Feeding America exercises control. Food and grocery products distributed directly to member organizations, totaling approximately 368 million and 596 million pounds for the years ended June 30, 2011 and 2010, respectively, have not been recognized in the accompanying financial statements as Feeding America did not exercise control over the distribution of these donations.

(11) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, Subsequent Events, Feeding America evaluated subsequent events after the statement of financial position date of June 30, 2011 through September 22, 2011, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.