

Feeding America

Report to the Audit and Risk Management Committee
November 15, 2019





RSM US LLP

One South Wacker Dr., Ste. 800
Chicago, IL 60606-3392

O +1 312 634 3400
F +1 312 634 5529

www.rsmus.com

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Audit and Risk Management Committee
Feeding America

Attention: Steven J. Barr, Audit and Risk Management Committee Chair

We are pleased to present this report related to our audit of the financial statements of Feeding America as of and for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Feeding America's financial reporting process.

This report is intended solely for the information and use of the Audit and Risk Management Committee and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Feeding America.

RSM US LLP

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 16, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated May 3, 2019, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by Feeding America.</p> <p>Feeding America adopted Accounting Standards Update (ASU) 2016-14, <i>Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities</i> in fiscal year 2019. Key elements of the ASU include a reduction in the number of net asset categories from three to two, several new requirements related to expense presentation and disclosure, and new required disclosures communicating information useful in assessing liquidity.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters (other than routine consultations with internal auditors).
Significant Issues Discussed With Management	We discussed with management the error identified related to duplicate recording of donated goods, as well as the remediation efforts put in place by management to prevent recurrence.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and the management of Feeding America, the representation letter provided to us by management, is attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in Feeding America's June 30, 2019 financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
Accounts and Contributions Receivable Allowance for Doubtful Accounts	The allowance for doubtful accounts is based on management's estimate of the collectability of specifically identified receivables, as well as aging of accounts compared to the contractual terms with the particular member food bank or donor.	The allowance is adjusted as information about specific accounts becomes available and as accounts reach one year outstanding. Feeding America also compares certain reserve amounts to prior year collection or write-off experience	We tested the underlying information supporting the allowance, including the most recent aging reports and collection experience. Based on our work, we concluded that management's allowance methodology is appropriate and the allowance is reasonable.
In-Kind Food Donation Revenue	The approximate average wholesale value of one pound of donated product is determined based upon a study performed by Feeding America, known as the Product Valuation Survey (Survey).	Feeding America performs the Survey (a detailed study) on an annual basis, as of December 31, to develop an average wholesale value of one pound of donated product for the year. The study includes analyzing pricing for twenty-nine food product categories and six non-food product categories against an industry benchmarking tool.	We tested the underlying support for the Survey, including re-computing a sample of total gross weight contributed per the detail listings for each product category. We also confirmed a sample of donated product, directly with member food banks. Based on our work, we concluded that management's valuation procedures are appropriate and the valuation of donated items is reasonable.

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of activities, functional expenses, cash flows and related financial statement disclosures. Following is a summary of those differences.

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Increase current year revenue for amount erroneously recognized as revenue in 2018	\$ -	\$ -		\$ 720,000	\$ -
Decrease current year revenue for projected error (based on \$1,200 audit difference) related to improper recognition of food procurement revenue	(180,000)	-	(180,000)	(180,000)	
Effect on Change in Net Assets				\$ 540,000	\$ -
Effect on Statement of Financial Position	<u>\$ (180,000)</u>	<u>\$ -</u>	<u>\$ (180,000)</u>		

Exhibit A—Significant Written Communication Between Management and Our Firm



November 15, 2019

RSM US LLP
One South Wacker Drive
Suite 800
Chicago, Illinois 60606

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of Feeding America, which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 16, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
6. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
7. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which Feeding America is contingently liable, including guarantee contracts and indemnification agreements pursuant to FASB ASC Topic 460, Guarantees.

- c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC Topic 275, Risks and Uncertainties.
 - d. Significant estimates are estimates at the Statement of Financial Position date, which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.
 - e. Significant relationships with affiliated organizations, and the financial statements of those organizations, where required.
 - f. All assets and liabilities under Feeding America's control.
 - g. Changes in accounting principle affecting consistency.
 - h. Rights to the assets held by a recipient organization (unless the recipient organization was explicitly granted variance power) as an interest in the net assets of the recipient organization, a beneficial interest or a receivable.
8. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of financial position and have been appropriately reduced to their estimated net realizable value.
 - a. Amounts advanced to related organizations represent valid receivables and are expected to be recovered at specific future dates in accordance with the terms of related agreements.
9. Uncertain tax positions have been accounted for in accordance with the provisions of ASC Topic 740, Income Taxes.
10. We agree with the findings of specialists in evaluating the average wholesale value of one pound of donated food product at the national level for the calendar year ended December 31, 2018 and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
11. Feeding America believes it is appropriate to use the average dollar value per pound, determined for the calendar year ended December 31, 2018, through the process described above, as a basis for the valuation of in-kind donated food product in the financial statements for the fiscal year ended June 30, 2019.
12. Feeding America has variance power over food contributions received and passed through to member food banks, for those food transactions recorded as donated goods and services revenue and related food procurement expenses on the statement of activities for the fiscal year ended June 30, 2019.

13. Feeding America has reasonable bases for allocation of functional expenses.
14. As of and for the fiscal year ended June 30, 2019, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Increase current year revenue for amount erroneously recognized as revenue in 2018	\$ -	\$ -		\$ 720,000	\$ -
Decrease current year revenue for projected error (based on \$1,200 audit difference) related to improper recognition of food procurement revenue	(180,000)	-	(180,000)	(180,000)	
Effect on Change in Net Assets				\$ 540,000	\$ -
Effect on Statement of Financial Position	\$ (180,000)	\$ -	\$ (180,000)		

Information Provided

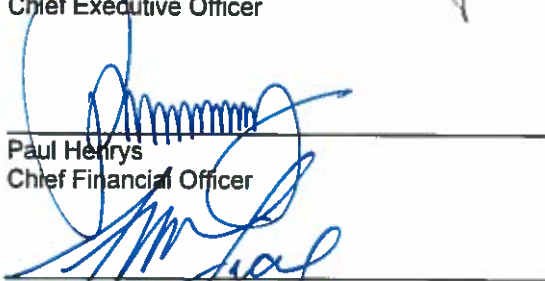
15. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within Feeding America from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

18. We have no knowledge of allegations of fraud or suspected fraud affecting Feeding America's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting Feeding America's financial statements received in communications from employees, former employees, regulators or others.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of federal funds in excess of the required threshold to warrant this type of audit for the fiscal year ended June 30, 2019
21. We have disclosed to you all known actual or possible pending or threatened litigation and claims whose effects were considered when preparing the financial statements. Effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with FASB Topic 450.
22. We have disclosed to you the identity of Feeding America's related parties and all the related-party relationships and transactions of which we are aware.
23. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect Feeding America's ability to record, process, summarize and report financial data.
24. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
25. We have received a determination from the Internal Revenue Service (IRS) that we are exempt from federal income taxes as a Section 501(c) (3) nonprofit corporation and have complied with the IRS regulations regarding this exemption.
26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Feeding America



Claire Babineaux-Fontenot
Chief Executive Officer



Paul Henrys
Chief Financial Officer



Tony Fiore
Vice President of Finance and Controller