

Feeding America

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Feeding America

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding America, which comprise the statements of financial position as of June 30, 2020 and 2019, 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 of America; 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 of America. 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 Feeding America as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
November 13, 2020

Feeding America

Statements of Financial Position

June 30, 2020 and 2019

(In Thousands)

	2020	2019
Assets		
Current assets:		
Cash	\$ 316,274	\$ 70,500
Short-term investments	3,729	3,636
Contributions receivable	35,096	22,506
Accounts receivable, net	18,571	6,592
Notes receivable	178	213
Other assets	2,252	769
Total current assets	376,100	104,216
Long-term investments	41,038	39,848
Contributions receivable, net	8,198	6,605
Notes receivable, net	79	136
Other assets	93	93
Furniture, software, and equipment, net	7,086	6,077
Total assets	\$ 432,594	\$ 156,975
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,167	\$ 12,189
Contributions received in advance	6,226	2,852
Other obligations	204	246
Current portion of leases payable	370	514
Total current liabilities	29,967	15,801
Leases payable, less current portion	1,689	2,053
Other obligations	983	809
Total liabilities	32,639	18,663
Net assets:		
Without donor restrictions		
Undesignated	99,847	8,478
Board designated	36,417	35,336
	136,264	43,814
With donor restrictions	263,691	94,498
Total net assets	399,955	138,312
Total liabilities and net assets	\$ 432,594	\$ 156,975

See notes to financial statements.

Feeding America

Statements of Activities
Years Ended June 30, 2020 and 2019
(In Thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Public support and revenue:						
Public support:						
Individual contributions	\$ 242,290	\$ 60,107	\$ 302,397	\$ 49,872	\$ 2,404	\$ 52,276
Corporate contributions	81,157	96,309	177,466	34,132	20,483	54,615
Foundations	2,871	31,373	34,244	1,496	2,868	4,364
Corporate promotions	27,457	41,095	68,552	15,651	34,042	49,693
Total fundraising	353,775	228,884	582,659	101,151	59,797	160,948
Donated goods and services	2,964,998	-	2,964,998	2,643,647	-	2,643,647
Total public support	3,318,773	228,884	3,547,657	2,744,798	59,797	2,804,595
Revenue:						
Member fees	4,042	-	4,042	5,381	-	5,381
Conference fees	794	-	794	1,160	-	1,160
Other revenue	2,478	-	2,478	1,496	-	1,496
Food procurement revenue	89,149	-	89,149	62,816	-	62,816
Investment income	706	-	706	835	-	835
Net assets released from restrictions	58,876	(58,876)	-	56,116	(56,116)	-
Total public support and revenue	3,474,818	170,008	3,644,826	2,872,602	3,681	2,876,283
Expenses:						
Program services:						
Member services	94,759	-	94,759	70,054	-	70,054
Food procurement	3,221,342	-	3,221,342	2,745,264	-	2,745,264
Public awareness and education	6,285	-	6,285	6,561	-	6,561
Policy and advocacy	4,669	-	4,669	2,834	-	2,834
Programs	4,421	-	4,421	4,494	-	4,494
Research and analysis	3,654	-	3,654	3,595	-	3,595
Total program services	3,335,130	-	3,335,130	2,832,802	-	2,832,802
Supporting services:						
Management and general	15,612	-	15,612	9,931	-	9,931
Fund development	34,306	-	34,306	29,160	-	29,160
Total supporting services	49,918	-	49,918	39,091	-	39,091
Total expenses	3,385,048	-	3,385,048	2,871,893	-	2,871,893
Increase in net assets before nonoperating activities	89,770	170,008	259,778	709	3,681	4,390
Nonoperating activities:						
Wills and bequests	1,319	21	1,340	1,852	44	1,896
Individual contributions	-	20	20	-	20	20
Investment return	1,190	92	1,282	1,820	158	1,978
Other	171	(948)	(777)	(217)	(400)	(617)
	2,680	(815)	1,865	3,455	(178)	3,277
Increase in net assets	92,450	169,193	261,643	4,164	3,503	7,667
Net assets - beginning of year	43,814	94,498	138,312	39,650	90,995	130,645
Net assets - end of year	\$ 136,264	\$ 263,691	\$ 399,955	\$ 43,814	\$ 94,498	\$ 138,312

See notes to financial statements.

Feeding America

Statement of Functional Expenses
Year Ended June 30, 2020
(In Thousands)

	Program Services								Supporting Services				Total
	Member Services			Public Awareness and Education	Policy and Advocacy	Programs	Research and Analysis	Total Program Services	Management and General	Fund Development	Total Supporting Services		
	Member Services	Food Procurement	Total Member Services										
Salaries	\$ 6,304	\$ 5,586	\$ 11,890	\$ 2,024	\$ 1,434	\$ 1,669	\$ 1,716	\$ 18,733	\$ 6,671	\$ 7,649	\$ 14,320	\$ 33,053	
Benefits and taxes	1,397	1,334	2,731	457	323	388	427	4,326	1,314	1,742	3,056	7,382	
Total salaries and related expenses	7,701	6,920	14,621	2,481	1,757	2,057	2,143	23,059	7,985	9,391	17,376	40,435	
Professional services and fees	1,468	1,424	2,892	1,436	2,594	1,081	1,088	9,091	2,281	9,609	11,890	20,981	
Telecommunications	60	55	115	14	8	13	17	167	40	59	99	266	
Advertising	-	-	-	735	-	834	-	1,569	5	3,117	3,122	4,691	
Postage and shipping	10	3	13	2	11	1	1	28	38	4,423	4,461	4,489	
Disaster purchases and transportation	-	3,212	3,212	-	-	-	-	3,212	25	-	25	3,237	
Food sourcing and transportation	-	89,033	89,033	-	-	-	-	89,033	-	-	-	89,033	
Occupancy	301	352	653	188	128	189	142	1,300	624	612	1,236	2,536	
Insurance	38	14	52	7	5	7	6	77	24	24	48	125	
Equipment and maintenance	101	14	115	6	4	15	5	145	17	20	37	182	
Printing and production	100	3	103	1,255	4	3	20	1,385	21	4,855	4,876	6,261	
Travel and business meetings	1,141	330	1,471	22	95	235	103	1,926	385	266	651	2,577	
Software expense	428	303	731	80	22	34	90	957	384	1,060	1,444	2,401	
Member grants	83,268	157,139	240,407	-	-	-	-	240,407	-	-	-	240,407	
Other	83	97	180	30	21	(84)	16	163	354	118	472	635	
Depreciation	44	599	643	28	19	27	21	738	327	731	1,058	1,796	
Total expenses before donated goods and services	94,743	259,498	354,241	6,284	4,668	4,412	3,652	373,257	12,510	34,285	46,795	420,052	
Donated goods and services	16	2,961,844	2,961,860	1	1	9	2	2,961,873	3,102	21	3,123	2,964,996	
Total	\$ 94,759	\$ 3,221,342	\$ 3,316,101	\$ 6,285	\$ 4,669	\$ 4,421	\$ 3,654	\$ 3,335,130	\$ 15,612	\$ 34,306	\$ 49,918	\$ 3,385,048	
Percent of total expenses	2.80%	95.16%	97.96%	0.19%	0.14%	0.13%	0.11%	98.53%	0.46%	1.01%	1.47%	100.00%	

See notes to financial statements.

Feeding America

Statement of Functional Expenses
Year Ended June 30, 2019
(In Thousands)

	Program Services								Supporting Services				Total
	Member Services			Public Awareness and Education	Policy and Advocacy	Programs	Research and Analysis	Total Program Services	Management and General	Fund Development	Total Supporting Services		
	Member Services	Food Procurement	Total Member Services										
Salaries	\$ 5,105	\$ 5,436	\$ 10,541	\$ 1,950	\$ 1,403	\$ 1,752	\$ 1,649	\$ 17,295	\$ 4,542	\$ 7,054	\$ 11,596	\$ 28,891	
Benefits and taxes	1,162	1,286	2,448	457	298	417	401	4,021	1,290	1,556	2,846	6,867	
Total salaries and related expenses	6,267	6,722	12,989	2,407	1,701	2,169	2,050	21,316	5,832	8,610	14,442	35,758	
Professional services and fees	1,262	1,614	2,876	1,624	715	1,025	1,056	7,296	2,353	6,799	9,152	16,448	
Telecommunications	51	72	123	20	11	18	21	193	45	74	119	312	
Advertising	-	-	-	611	-	643	-	1,254	-	2,392	2,392	3,646	
Postage and shipping	9	4	13	9	1	2	1	26	6	4,571	4,577	4,603	
Disaster purchases and transportation	-	2,080	2,080	-	-	-	-	2,080	-	4	4	2,084	
Food sourcing and transportation	1	62,737	62,738	-	-	-	-	62,738	7	-	7	62,745	
Occupancy	286	333	619	210	108	200	150	1,287	567	613	1,180	2,467	
Insurance	21	22	43	14	7	12	10	86	36	41	77	163	
Equipment and maintenance	188	15	203	7	4	11	7	232	17	22	39	271	
Printing and production	98	7	105	1,451	7	7	26	1,596	51	4,155	4,206	5,802	
Travel and business meetings	1,450	634	2,084	58	202	324	261	2,929	143	336	479	3,408	
Software expense	227	400	627	96	18	31	38	810	272	687	959	1,769	
Member grants	60,074	26,257	86,331	-	-	-	-	86,331	-	-	-	86,331	
Other	69	367	436	21	42	23	(53)	469	(23)	123	100	569	
Depreciation	44	681	725	33	17	29	23	827	323	720	1,043	1,870	
Total expenses before donated goods and services	70,047	101,945	171,992	6,561	2,833	4,494	3,590	189,470	9,629	29,147	38,776	228,246	
Donated goods and services	7	2,643,319	2,643,326	-	1	-	5	2,643,332	302	13	315	2,643,647	
Total	\$ 70,054	\$ 2,745,264	\$ 2,815,318	\$ 6,561	\$ 2,834	\$ 4,494	\$ 3,595	\$ 2,832,802	\$ 9,931	\$ 29,160	\$ 39,091	\$ 2,871,893	
Percent of total expenses	2.44%	95.59%	98.03%	0.23%	0.10%	0.16%	0.13%	98.64%	0.35%	1.02%	1.36%	100.00%	

See notes to financial statements.

Feeding America

Statements of Cash Flows Years Ended June 30, 2020 and 2019 (In Thousands)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 261,643	\$ 7,667
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,796	1,870
Provision on uncollectible contributions, accounts and notes receivable	946	35
Deferred lease obligation	(508)	(492)
Net realized and unrealized gains on investments	(204)	(918)
Contributions designated for long-term investment	(1,319)	(1,852)
Changes in operating assets and liabilities:		
Contributions receivable	(14,859)	(1,057)
Accounts receivable and other assets	(13,887)	1,683
Accounts payable and accrued expenses	10,978	516
Contributions received in advance	3,374	373
Other obligations	132	85
Net cash provided by operating activities	248,092	7,910
Cash flows from investing activities:		
Purchase of investments	(1,226)	(4,640)
Sale or maturity of investments	147	136
Acquisition of furniture, software and equipment	(2,805)	(269)
Repayment of notes receivable from members	247	146
Net cash used in investing activities	(3,637)	(4,627)
Cash flows from financing activities:		
Contributions designated for long-term investment	1,319	1,852
Net cash provided by financing activities	1,319	1,852
Net increase in cash	245,774	5,135
Cash		
Beginning of year	70,500	65,365
End of year	\$ 316,274	\$ 70,500

See notes to financial statements.

Feeding America

Notes to Financial Statements (In Thousands)

Note 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 the country in the fight to end hunger. The network is composed of Feeding America and approximately 200 food banks, and serves all 50 states, the District of Columbia, and Puerto Rico. Each member food bank is an independent nonprofit organization that enters into a member contract with Feeding America. Feeding America's offices are located in Chicago, Illinois and 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 pursuant to Section 501(a) of the Code. Feeding America is incorporated in the State of Arizona, where it was founded in 1979.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 has affected Feeding America's operations, donors, suppliers, vendors, and other key stakeholders. Feeding America's financial statements reflect significant increases to certain balances and results from typical levels (cash, pledges, contributions, member grants, food sourcing and transportation, net assets, etc.) as a result of the public response to COVID-19 in the last few months of the fiscal year.

On March 13, 2020, in response to the pandemic, Feeding America established the COVID-19 Response Fund to help food banks across the country provide equitable food access and reach communities, families and people disproportionately affected by the pandemic and its economic fallout. Thanks to the generosity of donors, Feeding America awarded \$240,407 in a record number of grants to every network member food bank. This grant funding included \$146,729 raised from the COVID-19 Response Fund through June 30, 2020. The extent to which the pandemic impacts Feeding America's activities and results in fiscal year 2021 and beyond will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus and its impact, among others.

Note 2. Significant Accounting Policies

Basis of accounting and use of estimates: The financial statements of Feeding America have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Operating results in the statements of activities reflect all transactions increasing or decreasing net assets with and without donor restrictions except those items listed under the nonoperating subtotal including donations received from wills and bequests, results from our board designated investment portfolio and other miscellaneous items. Revenue is reported as increases in net assets without donor restrictions 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 net assets without donor restrictions.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

Classification of net assets:

Net assets without donor restrictions are available for support of Feeding America's operations and are not subject to donor-imposed restrictions. Feeding America has a Board designated endowment fund which is classified as without donor restrictions. Feeding America is also required per a contract with member organizations to maintain two reserves. These reserves are also classified as without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that may or will be met either by actions of Feeding America or the passage of time. This classification also includes amounts for which the principal must remain intact per donor request with the investment return on the principal used for specified purposes or general operations.

Cash: Cash is composed of available cash balances. Feeding America maintains its cash in bank deposit accounts, which may exceed federally insured limits. Feeding America has not experienced any losses in such accounts and management believes that Feeding America is not exposed to any significant credit risk on cash. Due to increased public support during the last quarter of fiscal year 2020, the cash balance at June 30, 2020 is higher than typical levels. A portion of the additional funds will be utilized in fiscal year 2021 for member grants, as well as the purchase of food and other products and for funding programs and reserves to assist during the pandemic.

Investments and related income, gains, and losses: Investments in equity and debt securities are reported at fair value. All investment related income, expense, gains, and losses are included in the statement of activities. Fair values are primarily determined based on quoted market prices or other market inputs. Interest and dividends on short-term investments are included in operating revenue and reported as investment income. Interest and dividends on long-term investments are included in nonoperating activities. All other investment returns, including realized and unrealized gains and losses on short-term and long-term investments, are also reported as nonoperating activities.

Investment returns on donor-restricted endowment funds are recorded as additions (or reductions) to net assets with donor restrictions. Management fees on investments and other investment expenses are recorded as a reduction to investment return.

Feeding America invests in various investment securities including U.S. government and agency securities and mutual funds, domestic equity mutual funds, corporate bonds, fixed-income mutual funds, money market funds, international equity mutual funds, hedge fund of funds, and limited partnerships. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of Feeding America's investments could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Feeding America records its investments under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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 Topic 820 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 Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

Feeding America applies the measurement provisions of ASC Topic 820 to certain investments in mutual funds and alternative investments that do not have readily determinable fair values. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent. Interests in mutual funds and alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, Feeding America had no plans or intentions to sell investments at amounts different from NAV.

Contributions receivable: Feeding America receives unconditional promises to give from donors, and these are recorded as contribution revenue. If outstanding contributions are to be paid to Feeding America over a period of years, they are recorded at the present value of their expected cash flows using a risk-adjusted discount rate (such as the prime rate) in the year of contribution. Rates ranging from 3.25% to 5.50% were used in 2020 and 2019. Discount amortization is recognized in contribution revenue. Contributions receivable are also reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience, and other relevant factors. Promises to give are written off when deemed uncollectible.

Accounts receivable and credit policies: Accounts receivable consist primarily of noninterest-bearing amounts due from members for procurement costs, including securing transportation, associated with Feeding America's grocery and produce programs. Amounts also includes annual fees charged to member organizations as well as additional fees for IT business solutions. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2020 and 2019, the allowance was \$525 and \$100, respectively.

Furniture, software, and equipment: Furniture, software, 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. Construction in progress is reported at cost and not depreciated. These amounts will be transferred to their related asset classification upon completion. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Contributions received in advance: Feeding America frequently receives cash contributions from corporate and other donors in advance of donor terms and/or conditions being communicated. Such amounts are held and not expended, and are reported at year-end as contributions received in advance on the statement of financial position. Once terms and/or conditions are received (and any conditions are satisfied), Feeding America recognizes contribution revenue and expends funds in accordance with donor intentions.

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. Gift annuities, included in other current and long-term obligations, were \$1,084 and \$887 at June 30, 2020 and 2019, respectively.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

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 public support, without donor restrictions, and, immediately thereafter, as expense when granted to member food banks.

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to Feeding America. Contributed services recognized comprise professional services from attorneys and consultants advising Feeding America on various administrative legal matters, projecting out the expected meal gap in future years, and other services. Donated transportation, hotel and airline miles are provided to Feeding America to help defray the costs of those services that would otherwise have been purchased. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar legal, consulting, travel and other services. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements. In-kind media support is also not reflected in the financial statements. Feeding America did not monetize any contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

Contributions: Unconditional contributions are considered to be available for use, without donor restrictions, 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 net assets with donor restrictions. Amounts required to be maintained in perpetuity by the donor are also reported as net assets with donor restrictions.

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 success of the promotional activity.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions are not recognized as revenue until conditions are satisfied, which occurs when performance barriers are met. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon expiration of donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions received with related restrictions that are met in the same year are recognized in net assets without donor restrictions.

Feeding America accounts for endowment funds under ASC Subtopic 958-205, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. ASC Subtopic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). ASC Subtopic 958-205 enhances disclosures related to both donor-restricted and board-designated endowment funds.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

Donated media (unaudited): Feeding America considers the extent of its involvement with donated media, including factors such as its degree of input in determining and managing the message, control over when the media is aired and the use of the materials, in determining whether an in-kind contribution has been received. Feeding America's Public Service Announcement campaign in partnership with the Ad Council and various other donated media suppliers, received donated media support, mainly through radio, television, and outdoor channels, in estimated amounts totaling \$93,655 and \$43,098 for fiscal years 2020 and 2019, respectively, as estimated by the respective suppliers. However, this activity does not meet all requirements for recognition and is therefore not recorded on the financial statements.

Advertising costs are expensed as incurred.

Revenue: Revenue from contracts, generally with member food banks, is derived primarily from member fees, conference fees and food procurement.

Feeding America did not have any impairment or credit losses on any receivables arising from contracts with member food banks. There are also no incremental costs of obtaining a contract and no significant financing components. Payment terms for a majority of Feeding America's contracts vary. Also, there were no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with member food banks.

Member fees: These consist of annual fees assessed to member organizations as well as additional fees for information technology business solutions. Fees are billed in the first month of the membership period, which is Feeding America's fiscal year. Feeding America recognizes member fees revenue ratably over the individual membership period as performance obligations are satisfied over time; member benefits are typically provided evenly over the term of the membership. Member fees received in advance are deferred until earned. During fiscal year 2020, to provide additional support during the pandemic, Feeding America waived the fourth quarter member fees from foodbanks reducing member fee revenue in fiscal year 2020.

Conference fees: These represent registration fees and sponsorships for the various conferences that are sponsored by Feeding America for the benefit of member organizations. This revenue is recognized over time, as the conferences occurs. Registration is open to potential attendees in advance of the conference. Conference fees received but not earned as of year-end are recorded as deferred revenue, which is included in other obligations on the statements of financial position.

Food procurement revenue: These represent revenues paid by member food banks for the cost to procure food, including securing transportation associated with Feeding America's Grocery and Produce programs. This revenue is recognized at a point in time, generally when invoiced at the time of the related service dates. There are no significant advance payments received related to food procurement revenue.

Other revenue: Other revenue includes funds received from the sale of Feeding America mailing lists to other nonprofit organizations, settlement funds from legal cases to which courts appointed Feeding America as uninvolved beneficiary, revenue from sublease agreements, and fees for Feeding America-sponsored training programs.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

Agency funds: Feeding America occasionally 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 2020 and 2019, Feeding America received approximately \$532 and \$2, respectively, in agency funds.

Member grants: Feeding America makes awards and grants for child hunger programs, technology grants, food sourcing, nutrition, mobile pantry and other vehicles, and general operating support, to be disbursed in the subsequent year. The liability and related expense for awards and grants are recognized at the time of notification and acceptance by the recipients (majority are member food banks). Recipients are required to meet certain qualifications and to provide accountability to Feeding America for funds disbursed. These requirements do not meet the definition of a condition. Therefore, member grants are considered to be unconditional.

Income taxes: Feeding America accounts for uncertain tax positions in accordance with ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under ASC Topic 740, Feeding America must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Feeding America does not have a liability for unrecognized tax benefits, for the reporting periods presented in the financial statements.

Functional allocation of expenses: The costs of providing the various programs and supporting services are presented on a functional basis in the statements of functional expenses. Expenses are recorded at the time they are incurred in the program directly benefiting for the costs. Certain other costs incurred for the benefit of the entire organization such as employee benefits, space occupancy, insurance, and technology are centrally pooled and allocated monthly to the programs and supporting services benefited. Expenses that are common to program services, management and general administration and fund development are allocated based on management's determination.

Expense	Method of Allocation
Salaries, benefits and taxes	Estimated Time and Effort
Occupancy	Square footage
Insurance	Square footage

Adopted accounting pronouncement: On July 1, 2019, Feeding America adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no significant impact on the financial statements.

Feeding America also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as it relates to resource recipients, effective July 1, 2019. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The adoption of this guidance did not have a significant impact on the financial statements.

Feeding America

Notes to Financial Statements (In Thousands)

Note 2. Significant Accounting Policies (Continued)

New accounting pronouncements: In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Feeding America's fiscal year 2023 financial statements. Early adoption is permitted.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for Feeding America's fiscal year 2022 financial statements. Early adoption is permitted.

Note 3. Contributions Receivable

Short and long-term contributions receivable at June 30, 2020 and 2019, were as follows:

	2020	2019
Gross contributions receivable:		
Within one year	\$ 35,096	\$ 22,506
Between one and five years	9,760	7,620
	44,856	30,126
Net discount for present value of contributions receivable	(440)	(569)
Allowance for uncollectible contributions receivable	(1,122)	(446)
Contributions receivable, net	<u>\$ 43,294</u>	<u>\$ 29,111</u>

Note 4. Furniture, Software, and Equipment

Furniture, software, and equipment at June 30, 2020 and 2019, were as follows:

	2020	2019
Computer and office equipment	\$ 285	\$ 286
Furniture and fixtures	853	853
Leasehold improvements	4,292	4,292
Software	8,068	7,947
Construction in progress	2,680	-
	16,178	13,378
Accumulated depreciation	(9,092)	(7,301)
	<u>\$ 7,086</u>	<u>\$ 6,077</u>

Construction-in-progress is in connection with the build-out of new office space. The total budget for the project is approximately \$8,400, with an estimated tenant allowance of \$7,000. The expected completion for the build-out is November 2020.

Feeding America

Notes to Financial Statements (In Thousands)

Note 5. Donated Goods and Services

During the fiscal years ended June 30, 2020 and 2019, Feeding America distributed approximately 1,702 million pounds and 1,632 million pounds, respectively, of donated product received from approximately 370 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 \$1.74 and \$1.62, respectively, during calendar years 2020 and 2019, was based upon a study performed by Feeding America. The year over year change in the value of one pound of donated product will vary from year to year based on product mix of items donated.

Many of the national donors donate food and grocery products directly to local members. Several years ago, Feeding America entered into written contracts with national donors to distribute grocery products directly to its local members. The pounds distributed to member food banks under these agreements amounted to 1,374 million pounds and 1,381 million pounds as of June 30, 2020 and 2019, respectively. The dollar amount of these pounds distributed to member food banks under these agreements is \$2,391,081 and \$2,237,837, respectively, and is included within donated goods and services in the financial statements. The pounds that have been directly donated to Feeding America and then distributed to the member food banks amounted to 328 million pounds and 250 million pounds as of June 30, 2020 and 2019, respectively. The dollar amount of these pounds is \$570,754 and \$405,361, respectively, and is included within donated goods and services in the 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 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.

Breakdown of donated goods and services at June 30, 2020 and 2019, included in the financial statements, were as follows:

	2020	2019
Food and grocery products**	\$ 2,961,835	\$ 2,643,198
Consulting services	2,210	-
Transportation	509	100
Legal services	276	282
Hotels and airline miles	168	67
	<u>\$ 2,964,998</u>	<u>\$ 2,643,647</u>

** = food and grocery products include the following main categories: proteins, meat, dairy, non-dairy, juices and beverages, household and personal paper products, and vegetables and produce.

Feeding America

Notes to Financial Statements (In Thousands)

Note 6. Member Grants

Member grants for the fiscal years ended June 30, 2020 and 2019, were as follows:

	2020	2019
Member services	\$ 57,109	\$ 39,906
Programs	18,810	16,590
Food sourcing and procurement	12,502	26,257
Research and analysis	4,082	3,380
Other	1,175	198
	<u>93,678</u>	<u>86,331</u>
COVID - 19 directed for food sourcing and procurement	146,729	-
	<u>\$ 240,407</u>	<u>\$ 86,331</u>

All member grants distributed by Feeding America are for the benefit of the members and as such, are classified on the statement of activities and statement of functional expenses as either member services or food procurement. These grants are considered to be unconditional. As of June 30, 2020 and 2019, Feeding America accrued expenses of \$7,112 and \$5,176, respectively, for grants that have been awarded to member organizations but not yet distributed. These amounts are payable within one year and are included in accounts payable and accrued expenses.

Feeding America provided network members with grant funds to assist with the COVID-19 response – both emergency relief and longer-term recovery efforts. Grants were awarded from the COVID-19 Response Fund to support day-to-day operating expenses such as transportation, personal protection equipment (PPE), staffing, community outreach, technology, equipment/assets, and a variety of innovative food sourcing and distribution programs.

Note 7. Investments

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 objective of the long-term investment portfolio is to preserve capital and secondly to enhance the purchasing power of the long-term investments in the fund.

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. Long-term investment portfolio has separate objectives and strategies (Note 10).

Feeding America

Notes to Financial Statements (In Thousands)

Note 7. Investments (Continued)

The cost and fair value of short and long-term investments at June 30, 2020 and 2019, were as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,314	\$ 1,310	\$ 3,237	\$ 3,245
Government and agency securities and mutual funds	16,122	16,753	17,287	17,432
Corporate bonds and fixed-income mutual funds	12,948	13,183	6,626	6,712
Domestic equity mutual funds	7,326	7,887	7,906	8,544
International equity mutual funds	3,999	3,854	5,574	5,841
Hedge fund of funds	1,495	1,740	1,496	1,675
Limited partnership and individual stocks	35	40	35	35
	<u>\$ 43,239</u>	<u>\$ 44,767</u>	<u>\$ 42,161</u>	<u>\$ 43,484</u>

Feeding America has invested in alternative investments - hedge fund of funds. The funds are primarily invested in global equity markets and private investment funds. There are no additional funding commitments as of June 30, 2020. Feeding America has the ability to withdraw from the alternative investment all or any portion of its capital as of the last business day of each calendar quarter, with at least 60 calendar days' written notice.

Investment returns for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Income from investments:		
Interest and dividends	<u>\$ 1,784</u>	<u>\$ 1,895</u>
Gains and losses on investments:		
Net realized (losses) gains	(22)	430
Net change in unrealized gains	226	488
Net gain on investments	<u>204</u>	<u>918</u>
Total return on investments	<u>\$ 1,988</u>	<u>\$ 2,813</u>

Feeding America

Notes to Financial Statements (In Thousands)

Note 7. Investments (Continued)

Investment returns reflected in the statements of activities for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Operating activities:		
Interest and dividend income without donor restrictions	\$ 706	\$ 835
Nonoperating activities:		
Investment return without donor restrictions	1,190	1,820
Investment income with donor restrictions	92	158
Total investment return	<u>\$ 1,988</u>	<u>\$ 2,813</u>

Short-term investments at June 30, 2020 and 2019, include \$790 and \$771, respectively, in a Disaster Relief Fund. Investment fees, included as a reduction of interest and dividends above, were \$146 and \$135 for the fiscal years ended June 30, 2020 and 2019, respectively.

Note 8. Fair Value Measurements

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

Short-term and long-term investments: Domestic equity mutual funds, international equity mutual funds, government and agency securities and mutual funds, corporate bonds and fixed-income mutual funds 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 applies the concepts of ASC Subtopic 820-10 to its mutual funds and alternative investments using NAV as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain alternative investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV of the funds and consequently the fair value of Feeding America's interest in the fund.

Fair value hierarchy: Feeding America follows the guidance of ASC Topic 820 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 Topic 820 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 government and agency securities and mutual funds, domestic and international equity securities and corporate bonds and fixed-income mutual funds that consist primarily of U.S. Treasury obligations.

Feeding America

Notes to Financial Statements (In Thousands)

Note 8. Fair Value Measurements (Continued)

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 and mutual funds, domestic and international equity securities, corporate bonds and fixed-income mutual funds and money market funds, as well as a limited partnership fund.

Level 3: Inputs are unobservable inputs for the asset or liability.

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.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ -	\$ 1,310	\$ -	\$ 1,310
Government and agency securities and mutual funds	6,599	10,154	-	16,753
Corporate bonds and fixed-income mutual funds	13,183	-	-	13,183
Domestic equity mutual funds	5,913	1,974	-	7,887
International equity mutual funds	706	3,148	-	3,854
Limited partnership and individual stocks	5	35	-	40
	<u>\$ 26,406</u>	<u>\$ 16,621</u>	<u>\$ -</u>	<u>43,027</u>
Hedge fund of funds ¹				<u>1,740</u>
Total investments				<u>\$ 44,767</u>

Feeding America

Notes to Financial Statements (In Thousands)

Note 8. Fair Value Measurements (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ -	\$ 3,245	\$ -	\$ 3,245
Government and agency securities and mutual funds	9,940	7,492	-	17,432
Corporate bonds and fixed-income mutual funds	6,712	-	-	6,712
Domestic equity mutual funds	4,662	3,882	-	8,544
International equity mutual funds	1,628	4,213	-	5,841
Limited partnership and individual stocks	-	35	-	35
	<u>\$ 22,942</u>	<u>\$ 18,867</u>	<u>\$ -</u>	<u>41,809</u>
Hedge fund of funds ¹				1,675
Total investments				<u>\$ 43,484</u>

1. Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Feeding America evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between levels for the fiscal years ended June 30, 2020 and 2019.

Note 9. Commitments and Contingencies

Operating leases: Feeding America has an operating lease for certain office space in Chicago, Illinois which commenced in January 2001. Feeding America has amended the operating lease periodically to include additional office space and the lease expires in November 2020. In February 2020, Feeding America signed a new operating lease in Chicago for its new headquarters. The initial term of the lease is 15 years with a lease commencement date of November 1, 2020, and a lease expiration date of October 31, 2035. The Organization may occupy the space prior to November 1, 2020 at no additional cost other than electricity and other variable expenses.

Feeding America also has an operating lease for certain space in Washington, D.C. that commenced on June 1, 2012 and expires in May 2023. In January 2018, Feeding America entered into a sublease agreement with a third party, whereby the third party is leasing Feeding America's office space through May 2023. Sublease monthly payments started in July 2018 after a five-month rent abatement period.

In July 2017, Feeding America entered into another lease agreement for new office space in Washington, D.C. for an initial term of 10 years and 6 months expiring in May 2028. After substantial renovation of the premises, Feeding America began occupying the space in December 2017.

Feeding America

Notes to Financial Statements (In Thousands)

Note 9. Commitments and Contingencies (Continued)

Office leases contain annual escalation clauses and periods of rent abatements, and accordingly, rent expense is recorded on the straight-line basis over the life of the respective leases. Amounts reported in the statements of financial position as leases payable represent rental expense recognized in excess of lease payments made as of June 30, 2020 and 2019. Lease expense under the terms of all operating leases amounted to approximately \$2,302 in 2020 and \$1,922 in 2019 and is reported within occupancy expenses on the statements of functional expenses.

Future minimum lease payments, including the new Chicago headquarters, as of June 30, 2020, are as follows:

Fiscal year ending June 30:

2021	\$	1,792
2022		1,823
2023		2,638
2024		2,364
2025		2,422
Thereafter		19,349
Total future minimum lease payments	\$	<u>30,388</u>

Total future minimum sublease payments to be received as of June 30, 2020, are as follows:

2021	\$	256
2022		267
2023		254
Total future minimum lease payments	\$	<u>777</u>

Line of credit: Feeding America has a \$10,000 secured line of credit from its primary bank that bears interest at the Wall Street Journal LIBOR Daily Floating Rate, plus 1.00 percentage point. The one month LIBOR rate as of June 30, 2020 was 0.16%. The line of credit is secured by a general lien on the assets of Feeding America. There were no borrowings outstanding under the line of credit at June 30, 2020 and 2019. The line of credit expires on November 30, 2020; however, management intends to renew the line of credit with its primary bank under similar terms.

Litigation: From time to time, 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, 2020. Despite the inherent uncertainties of litigation, Feeding America 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 (In Thousands)

Note 10. Net Assets

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Net assets restricted for time or purpose:		
Food sourcing and procurement	\$ 181,313	\$ 21,511
Member services	29,794	34,406
Management and general	25,538	17,557
Programs	21,274	15,375
Research and analysis	3,031	2,407
Policy and advocacy	549	852
Public awareness and education	169	481
Fund development	88	2
	<u>261,756</u>	<u>92,591</u>
Net assets related to endowment funds in perpetuity:		
General endowment	1,935	1,907
Total net assets with donor restrictions	<u>\$ 263,691</u>	<u>\$ 94,498</u>

Note 11. Endowments

Feeding America follows the guidance of ASC Topic 958, *Not-For-Profit Entities*, related to net asset classification and required disclosures of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA.

Feeding America's endowment consists of 13 individual funds established for a variety of purposes including donor-restricted endowment funds and funds designated by Feeding America's 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. Feeding America has included compliance reserve and disaster relief funds in endowment net assets table below due to their similarity to board designated reserve funds, which act as an endowment fund. These member funds are contractually obligated to support various member needs.

Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, original funds and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,935	\$ 1,935
Donor-restricted endowment funds, accumulated investment gains	-	692	692
Board-designated reserve funds	36,417	-	36,417
Member funds for compliance reserve and disaster relief	722	-	722
Total endowment funds	<u>\$ 37,139</u>	<u>\$ 2,627</u>	<u>\$ 39,766</u>

Feeding America

Notes to Financial Statements (In Thousands)

Note 11. Endowments (Continued)

Feeding America has included compliance reserve and disaster relief funds in endowment net assets table above due to their similarity to board designated reserve funds, which act as an endowment fund.

Endowment net assets consist of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, original funds and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,907	\$ 1,907
Donor-restricted endowment funds, accumulated investment gains	-	688	688
Board-designated reserve funds	35,336	-	35,336
Member funds for compliance reserve and disaster relief	870	-	870
Total endowment funds	<u>\$ 36,206</u>	<u>\$ 2,595</u>	<u>\$ 38,801</u>

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 36,206	\$ 2,595	\$ 38,801
Additions	-	20	20
Investment returns	1,107	86	1,193
Appropriated expenditures of endowment assets	(174)	(74)	(248)
Endowment net assets, June 30, 2020	<u>\$ 37,139</u>	<u>\$ 2,627</u>	<u>\$ 39,766</u>

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 30,406	\$ 2,499	\$ 32,905
Additions	4,316	20	4,336
Investment returns	1,693	148	1,841
Appropriated expenditures of endowment assets	(209)	(72)	(281)
Endowment net assets, June 30, 2019	<u>\$ 36,206</u>	<u>\$ 2,595</u>	<u>\$ 38,801</u>

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. 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, 2020 and 2019.

Feeding America

Notes to Financial Statements (In Thousands)

Note 11. Endowments (Continued)

Return objectives and risk parameters: Feeding America has adopted investment and spending policies for endowment 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 Feeding America's 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 appropriate benchmarks while assuming a moderate level of investment risk.

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, other securities and cash (in a 22-66-12% 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.

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 June 30 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.

Note 12. Related-Party Transactions

For the years ended June 30, 2020 and 2019, Feeding America recorded approximately \$7,467 and \$35,362, respectively, in cash and pledges and \$1,286,481 and \$1,279,626 in goods and services from companies that have representatives who are members of Feeding America's Board of Directors. At June 30, 2020 and 2019, Feeding America had \$99 and \$2,247 of pledges receivable, respectively, from companies that have representatives who are members of Feeding America's Board of Directors. Feeding America also distributes grants each year to member foodbanks, some of which have executives who are members of Feeding America's Board of Directors.

Feeding America

Notes to Financial Statements (In Thousands)

Note 12. Related-Party Transactions (Continued)

Notes receivable due from member food banks consisted of the following:

	2020	2019
Revolving line of credit to a food bank member for the acquisition of trucks and warehouse equipment. The line of credit bears interest at the LIBOR three-month maturity rate, plus 2.00%. Interest began accruing in May 2017. The line of credit matures on December 31, 2022 and quarterly principal payments began on March 31, 2019. The food bank member may repay the principal amount of the loan without a pre-payment premium. Any principal amount that is repaid or prepaid may not be re-borrowed.	\$ 417	\$ 604
Revolving line of credit to a food bank member for operating purposes. The line of credit bears interest at the LIBOR three-month maturity rate, plus 2.00%. Interest begins accruing at January 31, 2023. The line of credit matures on January 31, 2023, with principal payments of \$20,000 due each January 1 and July 1 (beginning July 2019).	100	160
Gross notes receivable	517	764
Allowance for uncollectible notes receivable	(260)	(415)
Notes receivable, net	<u>\$ 257</u>	<u>\$ 349</u>

Note 13. Retirement Plan

Feeding America provides a 401(k) defined contribution plan (the Plan) for substantially all employees. In addition to employee contributions, Feeding America contributes 3.00% of each participant's compensation to the Plan. Feeding America makes an additional matching contribution of 3.00% if the employee contributes a minimum of 1.00% 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). Total retirement expense and contributions made by Feeding America for the years ended June 30, 2020 and 2019, were approximately \$1,688 and \$1,612, respectively.

Feeding America

Notes to Financial Statements (In Thousands)

Note 14. Liquidity and Availability

The following reflects Feeding America's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Feeding America regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Amounts not available include amounts set aside for long-term investing in the board designated endowment reserve.

	2020	2019
Financial assets at year-end:		
Total current assets	\$ 376,100	\$ 104,216
Long-term investments	41,038	39,848
Long-term contributions receivable, net	8,198	6,605
Total financial assets	425,336	150,669
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Other assets	(2,252)	(769)
Restrictions by donor with time or purpose restrictions (gross)	(261,756)	(92,591)
Donor-restricted endowments	(1,935)	(1,907)
Investments held in annuity trust	(1,639)	(1,617)
Member funds for compliance and disaster reserves	(722)	(870)
Board designations:		
Board designated reserve for long-term investing	(36,417)	(35,336)
Financial assets not available to be used within one year	(304,721)	(133,090)
Financial assets available to meet general expenditures within one year	\$ 120,615	\$ 17,579

Feeding America's goal is to maintain available financial assets sufficient to meet six months of operating expenses in cash and cash equivalents and long-term investments. General operating expenses average approximately \$7,391 per month; exclusive of donated goods or services, member grants and depreciation (2019 - \$6,436). As of June 30, 2020 and 2019, Feeding America has an additional \$36,417 and \$35,336, respectively, in a board designated reserve fund that functions as an endowment. This is a fund established by the governing board that may be drawn upon for operating purposes, with Board approval, in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. Lastly, to meet obligations and cash liquidity needs, Feeding America maintains a revolving line of credit of \$10,000. The purpose of the line is to cover working capital expenses while waiting to collect on contributions and procurement receivables from our donors and member foodbanks, respectively.

	2020	2019
Financial assets available to meet general expenditures within one year (per above)	\$ 120,615	\$ 17,579
Additional resources to meet reserve requirements and liquidity needs:		
Board designated reserve for long-term investing	36,417	35,336
Amount available for six month reserve requirements	157,032	52,915
Line of credit	10,000	10,000
Financial assets available to meet reserve and liquidity needs	\$ 167,032	\$ 62,915

Feeding America

Notes to Financial Statements (In Thousands)

Note 15. Subsequent Events

In connection with the preparation of the financial statements, *Subsequent Events*, Feeding America evaluated events and transactions through November 13, 2020, the date the financial statements were available to be issued noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

Supplementary Information

Feeding America

Statements of Activities - COVID
Years Ended June 30, 2020 and 2019
(In Thousands)

	FY20						FY19		
	Total without COVID Response Fund			COVID Response Fund				Total	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Operating activities:									
Public support and revenue:									
Public support:									
Individual contributions	\$ 134,376	\$ 14,152	\$ 148,528	\$ 107,914	\$ 45,955	\$ 153,869	\$ 302,397	\$ 52,276	
Corporate contributions	44,442	25,076	69,518	36,715	71,233	107,948	177,466	54,615	
Foundations	2,471	3,955	6,426	400	27,418	27,818	34,244	4,364	
Corporate promotions	27,457	23,810	51,267	-	17,285	17,285	68,552	49,693	
Total fundraising	208,746	66,993	275,739	145,029	161,891	306,920	582,659	160,948	
Donated goods and services	2,964,998	-	2,964,998	-	-	-	2,964,998	2,643,647	
Total public support	3,173,744	66,993	3,240,737	145,029	161,891	306,920	3,547,657	2,804,595	
Revenue:									
Member fees	4,042	-	4,042	-	-	-	4,042	5,381	
Conference fees	794	-	794	-	-	-	794	1,160	
Other revenue	2,478	-	2,478	-	-	-	2,478	1,496	
Food procurement revenue	89,149	-	89,149	-	-	-	89,149	62,816	
Investment income	706	-	706	-	-	-	706	835	
Net assets released from restrictions	57,876	(57,876)	-	1,000	(1,000)	-	-	-	
Total public support and revenue	3,328,789	9,117	3,337,906	146,029	160,891	306,920	3,644,826	2,876,283	
Expenses:									
Program services:									
Member services	94,759	-	94,759	-	-	-	94,759	70,054	
Food procurement	3,072,363	-	3,072,363	148,979	-	148,979	3,221,342	2,745,264	
Public awareness and education	6,285	-	6,285	-	-	-	6,285	6,561	
Policy and advocacy	4,669	-	4,669	-	-	-	4,669	2,834	
Programs	4,421	-	4,421	-	-	-	4,421	4,494	
Research and analysis	3,654	-	3,654	-	-	-	3,654	3,595	
Total program services	3,186,151	-	3,186,151	148,979	-	148,979	3,335,130	2,832,802	
Supporting services:									
Management and general	15,612	-	15,612	-	-	-	15,612	9,931	
Fund development	34,306	-	34,306	-	-	-	34,306	29,160	
Total supporting services	49,918	-	49,918	-	-	-	49,918	39,091	
Total expenses	3,236,069	-	3,236,069	148,979	-	148,979	3,385,048	2,871,893	
Change in net assets before nonoperating activities	92,720	9,117	101,838	(2,950)	160,891	157,940	259,778	4,390	
Nonoperating activities:									
Wills and bequests	1,319	21	1,340	-	-	-	1,340	1,896	
Individual contributions	-	20	20	-	-	-	20	20	
Investment returns	1,190	92	1,282	-	-	-	1,282	1,978	
Other	171	(948)	(777)	-	-	-	(777)	(617)	
	2,680	(815)	1,865	-	-	-	1,865	3,277	
Change in net assets	95,400	8,302	103,703	(2,950)	160,891	157,940	261,643	7,667	
Net assets - beginning of year	43,814	94,498	138,312	2,637	-	2,637	138,312	130,645	
Net assets - end of year	\$ 139,214	\$ 102,800	\$ 242,015	\$ (313)	\$ 160,891	\$ 160,577	\$ 399,955	\$ 138,312	