



**FEEDING AMERICA**

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

# FEEDING AMERICA

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**KPMG LLP**  
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## **Independent Auditors' Report**

The 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, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### ***Auditors' 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 audit 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 auditors' 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, 2013 and 2012, and the results of its activities, functional expenses, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

September 20, 2013

**FEEDING AMERICA**  
**Statements of Financial Position**  
June 30, 2013 and 2012  
(In thousands)

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Current assets:		
Cash	\$ 24,906	16,419
Short-term investments	2,370	2,353
Contributions receivable, net	16,487	16,263
Accounts receivable, net	4,544	4,218
Notes receivable, net	426	390
Other assets	974	1,157
Total current assets	49,707	40,800
Long-term investments	15,191	11,946
Contributions receivable, net	5,202	7,399
Notes receivable, net	256	476
Other assets	23	23
Furniture and equipment, net of accumulated depreciation of \$2,457 and \$2,268 in 2013 and 2012, respectively	1,586	1,932
Total assets	\$ 71,965	62,576
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,570	12,576
Deferred revenue	619	350
Other obligations	74	75
Current portion of loan payable	562	500
Current portion of leases payable	220	146
Total current liabilities	19,045	13,647
Loan payable	563	1,125
Leases payable	2,334	2,234
Other obligations	817	2,803
Total liabilities	22,759	19,809
Net assets:		
Unrestricted	17,036	15,468
Temporarily restricted	30,594	25,732
Permanently restricted	1,576	1,567
Total net assets	49,206	42,767
Total liabilities and net assets	\$ 71,965	62,576

See accompanying notes to financial statements.

**FEEDING AMERICA**

Statements of Activities

Years ended June 30, 2013 and 2012

(In thousands)

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Public support and revenue:								
Public support:								
Individual contributions	\$ 28,813	1,378	—	30,191	28,540	586	—	29,126
Corporate contributions	23,663	15,048	—	38,711	18,840	9,681	—	28,521
Foundations	2,247	507	—	2,754	1,371	582	—	1,953
Corporate promotions	14,652	1,765	—	16,417	14,704	4,007	—	18,711
Total fundraising	69,375	18,698	—	88,073	63,455	14,856	—	78,311
Donated goods and services	1,784,017	—	—	1,784,017	1,451,995	—	—	1,451,995
Total public support	1,853,392	18,698	—	1,872,090	1,515,450	14,856	—	1,530,306
Revenue:								
Member fees	2,970	—	—	2,970	2,427	—	—	2,427
Conference fees	996	—	—	996	1,245	—	—	1,245
Other revenue	2,317	—	—	2,317	618	—	—	618
Food procurement revenue	65,980	—	—	65,980	62,603	—	—	62,603
Investment income	83	—	—	83	121	—	—	121
Investment return designated for operations	—	—	—	—	401	—	—	401
Net assets released from restriction	13,689	(13,689)	—	—	20,449	(20,449)	—	—
Total public support and revenue	1,939,427	5,009	—	1,944,436	1,603,314	(5,593)	—	1,597,721
Expenses:								
Program services:								
Member services	34,151	—	—	34,151	38,591	—	—	38,591
Food procurement	1,864,444	—	—	1,864,444	1,522,192	—	—	1,522,192
Public awareness and education	3,769	—	—	3,769	4,269	—	—	4,269
Public programs and policy	3,639	—	—	3,639	3,638	—	—	3,638
Research and analysis	4,099	—	—	4,099	1,841	—	—	1,841
Total program services	1,910,102	—	—	1,910,102	1,570,531	—	—	1,570,531
Supporting services:								
Management and general	7,148	—	—	7,148	7,434	—	—	7,434
Fund development	22,143	—	—	22,143	24,730	—	—	24,730
Total supporting services	29,291	—	—	29,291	32,164	—	—	32,164
Total expenses	1,939,393	—	—	1,939,393	1,602,695	—	—	1,602,695
Increase (decrease) in net assets as a result of operations	34	5,009	—	5,043	619	(5,593)	—	(4,974)
Nonoperating activities:								
Wills and bequests	746	—	—	746	451	—	—	451
Individual contributions	—	—	4	4	—	—	30	30
Investment return	801	170	—	971	(321)	(58)	—	(379)
Other	(8)	(317)	5	(320)	(19)	(412)	—	(431)
Investment return designated for operations	—	—	—	—	(401)	—	—	(401)
Loss on disposition of furniture and equipment	(5)	—	—	(5)	(33)	—	—	(33)
Changes in net assets	1,568	4,862	9	6,439	296	(6,063)	30	(5,737)
Net assets at beginning of year	15,468	25,732	1,567	42,767	15,172	31,795	1,537	48,504
Net assets at end of year	\$ 17,036	30,594	1,576	49,206	15,468	25,732	1,567	42,767

See accompanying notes to financial statements.

**FEEDING AMERICA**  
Statement of Functional Expenses  
Year ended June 30, 2013  
(In thousands)

	Program services			Supporting services							
	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	Total expenses
Salaries	\$ 3,839	3,836	7,675	1,130	1,742	1,270	11,817	4,046	4,008	8,054	19,871
Benefits and taxes	863	902	1,765	214	411	363	2,753	697	970	1,667	4,420
Total salaries and related expenses	4,702	4,738	9,440	1,344	2,153	1,633	14,570	4,743	4,978	9,721	24,291
Professional services and fees	1,526	430	1,956	1,015	651	1,775	5,397	1,066	5,653	6,719	12,116
Professional development	3	3	6	3	—	—	9	91	10	101	110
Supplies	39	14	53	19	7	143	222	15	15	30	252
Telecommunications	76	72	148	14	25	101	288	37	63	100	388
Publications and memberships	18	21	39	3	34	3	79	50	30	80	159
Advertising	2	—	2	1,087	35	—	1,124	—	1,149	1,149	2,273
Postage and shipping	8	4	12	11	4	18	45	8	3,908	3,916	3,961
Disaster purchases and transportation	—	1,585	1,585	—	—	—	1,585	—	—	—	1,585
Food sourcing and transportation	1	68,960	68,961	—	—	—	68,961	—	—	—	68,961
Occupancy	298	299	597	114	247	175	1,133	385	435	820	1,953
Insurance	15	15	30	6	11	9	56	19	21	40	96
Equipment and maintenance	286	20	306	30	12	10	358	53	26	79	437
Printing and production	28	33	61	10	172	8	251	16	5,528	5,544	5,795
Travel and business meetings	883	301	1,184	76	215	168	1,643	185	214	399	2,042
Special events	4	1	5	—	—	1	6	26	1	27	33
Software expense	234	16	250	3	7	7	267	11	16	27	294
Member grants	25,797	4,318	30,115	—	—	—	30,115	—	—	—	30,115
Miscellaneous	—	—	—	—	—	—	—	136	—	136	136
Depreciation	58	71	129	30	42	32	233	67	79	146	379
Total expenses before donated goods and services	33,978	80,901	114,879	3,765	3,615	4,083	126,342	6,908	22,126	29,034	155,376
Donated goods and services	173	1,783,543	1,783,716	4	24	16	1,783,760	240	17	257	1,784,017
Total	\$ 34,151	1,864,444	1,898,595	3,769	3,639	4,099	1,910,102	7,148	22,143	29,291	1,939,393
Percent of total expenses	1.76%	96.14%	97.90%	0.19%	0.19%	0.21%	98.49%	0.37%	1.14%	1.51%	100.00%

See accompanying notes to financial statements.

**FEEDING AMERICA**  
Statement of Functional Expenses  
Year ended June 30, 2012  
(In thousands)

	Program services						Supporting services				
	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	Total expenses
Salaries	\$ 3,677	2,914	6,591	1,293	1,732	793	10,409	4,155	4,744	8,899	19,308
Benefits and taxes	813	737	1,550	278	385	207	2,420	858	1,098	1,956	4,376
Total salaries and related expenses	4,490	3,651	8,141	1,571	2,117	1,000	12,829	5,013	5,842	10,855	23,684
Professional services and fees	2,055	399	2,454	938	622	590	4,604	1,276	6,454	7,730	12,334
Professional development	1	1	2	—	—	—	2	111	3	114	116
Supplies	43	14	57	12	13	6	88	6	29	35	123
Telecommunications	96	74	170	25	34	16	245	47	92	139	384
Publications and memberships	4	5	9	3	36	1	49	65	29	94	143
Advertising	1	—	1	1,360	1	—	1,362	—	888	888	2,250
Postage and shipping	18	4	22	3	7	2	34	8	3,862	3,870	3,904
Disaster purchases and transportation	—	341	341	—	—	—	341	—	—	—	341
Food sourcing and transportation	856	65,636	66,492	—	—	—	66,492	—	—	—	66,492
Occupancy	252	189	441	149	436	79	1,105	122	426	548	1,653
Insurance	11	8	19	6	4	3	32	43	16	59	91
Equipment and maintenance	284	29	313	36	20	7	376	63	45	108	484
Printing and production	61	15	76	54	125	5	260	33	6,408	6,441	6,701
Travel and business meetings	940	187	1,127	72	180	111	1,490	318	379	697	2,187
Special events	2	—	2	1	—	—	3	39	134	173	176
Software expense	273	5	278	2	2	1	283	4	8	12	295
Member grants	28,238	648	28,886	—	—	—	28,886	—	—	—	28,886
Miscellaneous	—	—	—	—	—	—	—	51	1	52	52
Depreciation	66	53	119	34	29	19	201	98	105	203	404
Total expenses before donated goods and services	37,691	71,259	108,950	4,266	3,626	1,840	118,682	7,297	24,721	32,018	150,700
Donated goods and services	900	1,450,933	1,451,833	3	12	1	1,451,849	137	9	146	1,451,995
Total	\$ 38,591	1,522,192	1,560,783	4,269	3,638	1,841	1,570,531	7,434	24,730	32,164	1,602,695
Percent of total expenses	2.41%	94.98%	97.38%	0.27%	0.23%	0.11%	97.99%	0.46%	1.54%	2.01%	100.00%

See accompanying notes to financial statements.



## FEEDING AMERICA

### Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

	2013	2012
Cash flows from operating activities:		
Changes in net assets	\$ 6,439	(5,737)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	379	404
Provision on uncollectible notes and contribution receivable, net of losses	69	137
Loss on sublease obligation	253	—
Deferred lease obligation	(79)	317
Net (gains) losses on investments	(723)	589
Loss on disposition of furniture and equipment	5	33
Contributions designated for long-term investment	(750)	(481)
Changes in operating assets and liabilities:		
Contributions receivable	1,883	3,108
Accounts receivable and other assets	(143)	1,069
Accounts payable and accrued expenses	4,994	(2)
Deferred revenue	269	38
Other obligations	(1,987)	1,221
Net cash provided by operating activities	10,609	696
Cash flows from investing activities:		
Purchase of investments	(13,358)	(46,258)
Sale or maturity of investments	10,819	49,943
Acquisition of furniture and equipment	(38)	(366)
Issuance of notes receivable to members	(375)	(12)
Notes receivable repayments	580	1,131
Net cash (used in) provided by investing activities	(2,372)	4,438
Cash flows from financing activities:		
Proceeds from draw on line of credit	258	—
Repayment on line of credit	(258)	—
Repayment of loan payable	(500)	(500)
Contributions designated for long-term investment	750	481
Net cash provided by (used in) financing activities	250	(19)
Net increase in cash	8,487	5,115
Cash at beginning of year	16,419	11,304
Cash at end of year	\$ 24,906	16,419

See accompanying notes to financial statements.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

#### (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 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 investments are included in operating revenue. Interest and dividends on long-term investments are included in nonoperating activities. All other investment income, including realized and unrealized gains and losses on short-term and long-term investments, is reported as nonoperating activities. 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) 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 (note 4).

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(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, 2013 are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience, and other relevant factors and have been discounted to net realizable value at a discount rate of 3.25%. Gross contributions receivable as of June 30, 2013 within one year are \$16,487 and from one to five years are \$5,742. Gross contributions receivable as of June 30, 2012 within one year are \$16,263 and from one to five years are \$7,888. Feeding America has an allowance for uncollectible contributions receivable of \$340 and \$250 as of June 30, 2013 and 2012, respectively.

**(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, 2013 and 2012, Feeding America distributed approximately 1,055 million pounds and 874 million pounds, respectively, of donated product received from approximately 240 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 \$1.69 and \$1.66, respectively, during 2013 and 2012, 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. During 2012, two additional national donors agreed to participate in the program. In 2013, two more were added. The pounds distributed to member food banks under these agreements amounted to 704 million pounds and 522 million pounds as of June 30, 2013 and 2012, respectively. The dollar amount of these pounds distributed to member food banks under these agreements is approximately \$1,190,422 and \$866,000, respectively, and is included within donated goods and services in the accompanying

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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 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, 2013 and 2012, Feeding America received approximately \$1,784,017 and \$1,451,995 in donated goods 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, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. ASC Subtopic 958-205 provides guidance

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

on the net asset classification of donor-restricted endowment funds for a not-for-profit 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, 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 donated services revenue in fiscal years 2013 or 2012 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, 2012 to March 31, 2013 and the year ended June 30, 2012, Feeding America's Public Service Announcement campaign in partnership with Ad Council received \$34,990 and \$57,850, 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 for business solutions and fees to help defray the cost of the comprehensive quadrennial hunger study among others.

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, settlement funds from legal cases to which courts appointed Feeding America as uninvolved beneficiary, 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 2013 and 2012, respectively, Feeding America received approximately \$620 and \$3 in agency funds and all but \$301 and \$3 was distributed to member food banks and is included in accounts payable and accrued expenses at fiscal year-end.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

As of June 30, 2013 and 2012, Feeding America accrued expenses of \$5,044 and \$6,075, respectively, of unconditional promises to give for child hunger programs, technology grants, food sourcing, nutrition, mobile pantry and other vehicles, and general operating support that have been awarded to member organizations. Amounts payable within one year are \$4,656 and are included in accounts payable and accrued expenses. Amounts payable within two to five years are \$388 and are included in other noncurrent obligations.

Advertising costs are expensed as incurred.

#### **(k) *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 consolidated 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. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2013 and 2012, Feeding America does not have a liability for unrecognized tax benefits.

#### **(l) *Functional Allocation of Expenses***

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

### **(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.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The cost and fair value of short- and long-term investments at June 30, 2013 and 2012 were as follows:

	2013		2012	
	Cost	Fair value	Cost	Fair value
Government and agency securities and mutual funds	\$ 2,811	2,796	2,864	2,898
Domestic equities	4,660	5,640	2,378	2,604
Corporate bonds and fixed-income mutual funds	3,466	3,425	3,692	3,822
Asset-backed securities and mutual funds	231	225	157	160
Money market funds	3,904	3,904	3,536	3,536
International equities	1,292	1,537	1,239	1,249
Limited partnership	34	34	30	30
	\$ 16,398	17,561	13,896	14,299

Investment return for the years ended June 30, 2013 and 2012 was as follows:

	2013	2012
Return on investments:		
Interest and dividends	\$ 331	331
Gains (losses) on investments:		
Net realized losses	(43)	(406)
Net change in unrealized gains (losses)	766	(183)
Net gains (losses) on investments	723	(589)
Total return on investments	\$ 1,054	(258)

Long-term investments at June 30, 2013 and 2012 include \$600 and \$595, respectively, in a Disaster Relief Fund.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

#### (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 receivable, 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.

##### (b) 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 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, 2013 and 2012.

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, 2013 and 2012

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2013:

	<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	\$ 24,906	24,906	—	—
Investments:				
Government and agency securities and mutual funds	2,796	332	2,464	—
Domestic equities	5,640	5,640	—	—
Corporate bonds and fixed-income mutual funds	3,425	3,195	230	—
Asset-backed securities and mutual funds	225	41	184	—
Money market funds	3,904	3,904	—	—
International equities	1,537	1,537	—	—
Limited partnership	34	—	34	—
Total investments	<u>17,561</u>	<u>14,649</u>	<u>2,912</u>	<u>—</u>
Total assets	<u>\$ 42,467</u>	<u>39,555</u>	<u>2,912</u>	<u>—</u>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2012:

	<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	\$ 16,419	16,419	—	—
Investments:				
Government and agency securities and mutual funds	2,898	337	2,561	—
Domestic equities	2,604	2,604	—	—
Corporate bonds and fixed-income mutual funds	3,822	3,670	152	—
Asset-backed securities and mutual funds	160	54	106	—
Money market funds	3,536	3,536	—	—
International equities	1,249	1,249	—	—
Limited partnership	30	—	30	—
Total investments	<u>14,299</u>	<u>11,450</u>	<u>2,849</u>	<u>—</u>
Total assets	<u>\$ 30,718</u>	<u>27,869</u>	<u>2,849</u>	<u>—</u>

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 Level 1, Level 2, or Level 3 for the fiscal year ended June 30, 2013.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

#### (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 and expired on June 1, 2012. On February 24, 2012, Feeding America entered into a noncancelable operating lease for certain office space at 1150 18<sup>th</sup> Street, N.W. in Washington D.C. that commenced on June 1, 2012.

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, 2013 and 2012. Lease expense under the terms of all operating leases amounted to approximately \$1,610 in 2013 and \$1,577 in 2012 and is reported within occupancy expenses.

In February 2013, Feeding America entered into a sublease agreement with a third party, whereby the third party leased a portion of Feeding America's office space through January 2018. Sublease monthly payments are scheduled to start in July 2013. As a result of this sublease agreement, Feeding America recognized a loss and a liability of \$253 during the period, which is included as part of management and general expenses in the 2013 statement of activities.

Future minimum lease payments as of June 30, 2013 are as follows:

Fiscal year ending June 30:	
2014	\$ 1,685
2015	1,717
2016	1,750
2017	1,783
2018	1,820
Thereafter	<u>5,424</u>
Total minimum lease payments	\$ <u><u>14,179</u></u>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Future minimum sublease payments to be received as of June 30, 2013 are as follows:

Fiscal year ending June 30:	
2014	\$ 150
2015	154
2016	159
2017	164
2018	97
	<hr/>
Total minimum lease payments	\$ <u>724</u>

**(b) Line of Credit**

Feeding America has a \$10,000 secured line of credit from its primary bank that bears interest at Wall Street Journal LIBOR Daily Floating rate plus 1.40%. 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, 2013 and 2012. The line of credit expires on November 30, 2013.

**(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 fiscal year 2014 of \$562 are included in current portion of loans payable in the accompanying June 30, 2013 statement of financial position. Scheduled principal repayments on the loan payable according to the loan agreement are as follows:

Year ending June 30:	
2014	\$ 562
2015	563
	<hr/>
	\$ <u>1,125</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, 2013. 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, 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

June 30, 2013 and 2012

(Dollars in thousands)

#### (6) Temporarily Restricted Funds

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Member services	\$ 13,887	12,955
Public programs and policy	4,712	3,100
Research and analysis	2,515	4,877
Food procurement	5,250	2,113
Public awareness and education	1,005	18
Fund development	210	—
Management and general	3,015	2,669
Total temporarily restricted funds	\$ 30,594	25,732

#### (7) 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 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, 2013:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	319	1,576	1,895
Board-designated reserve funds	11,627	—	—	11,627
Disaster relief funds	600	—	—	600
Total endowment net assets	\$ 12,227	319	1,576	14,122

**FEEDING AMERICA**

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Endowment net assets consist of the following at June 30, 2012:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (13)	220	1,567	1,774
Board-designated reserve funds	8,583	—	—	8,583
Disaster relief funds	596	—	—	596
<b>Total endowment net assets</b>	<b>\$ 9,166</b>	<b>220</b>	<b>1,567</b>	<b>10,953</b>

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2012	\$ 9,166	220	1,567	10,953
Investment return	820	148	5	973
Contributions	2,241	—	4	2,245
Appropriated expenditures of endowment assets	—	(49)	—	(49)
<b>Endowment net assets, June 30, 2013</b>	<b>\$ 12,227</b>	<b>319</b>	<b>1,576</b>	<b>14,122</b>

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2011	\$ 9,648	315	1,537	11,500
Investment return	(286)	(47)	—	(333)
Contributions	—	—	30	30
Appropriated expenditures of endowment assets	(196)	(48)	—	(244)
<b>Endowment net assets, June 30, 2012</b>	<b>\$ 9,166</b>	<b>220</b>	<b>1,567</b>	<b>10,953</b>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(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 \$13 in deficiencies as of June 30, 2012. There were no deficiencies as of June 30, 2013.

**(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% 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 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.

**(8) *Related-Party Transactions***

For the years ended June 30, 2013 and 2012, Feeding America recorded approximately \$25,612 and \$12,693, respectively, in cash and pledges and \$1,053,859 and \$832,474 in goods and services from companies that have representatives who are members of Feeding America's board of directors. At June 30, 2013 and 2012, Feeding America had \$8,772 and \$6,372 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, 2013 and 2012

(Dollars in thousands)

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 two of the agreement and escalate by an additional 1% 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, 2013 and 2012, \$231 and \$463 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. As of June 30, 2013 and 2012, \$151 and \$499 are outstanding, respectively. Loan terms are consistent with first round of loans and the loan agreements expire on December 31, 2014.

In January 2013, the loan agreement with the foundation was amended to allow Feeding America to use the proceeds from repayments to finance food banks' technology upgrades. Through a competitive bid process, five member food banks received funds of \$75 each, with a three-year term. Loans bear interest at 2.00% beginning in year two of the agreement and escalate by an additional 1% the following year. As of June 30, 2013, \$375 is outstanding.

Feeding America has recognized an allowance estimated for uncollectible notes receivable of 10% of the outstanding principal balance. At June 30, 2013 and 2012, an allowance of \$75 and \$96, respectively, was recorded as a reduction to notes receivable.

#### **(9) 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% of each participant's compensation to the Plan. Feeding America makes an additional matching contribution of 3% if the employee contributes a minimum of 1% 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, 2013 and 2012 were approximately \$941 and \$780, respectively.

#### **(10) Direct Donations**

During the years ended June 30, 2013 and 2012, the Feeding America Network distributed approximately 1,475 million pounds and 1,281 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 420 million and 408 million pounds for the years ended June 30, 2013 and 2012, respectively, have not been recognized in the accompanying financial statements as Feeding America did not exercise control over the distribution of these donations.



**FEEDING AMERICA**

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(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, 2013 through September 20, 2013, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.