



**FEEDING AMERICA**

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

# FEEDING AMERICA

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



**KPMG LLP**  
Aon Center  
Suite 5500  
200 East Randolph Drive  
Chicago, IL 60601-6436

## **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, 2014 and 2013, 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, 2014 and 2013, 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**

Chicago, Illinois  
September 22, 2014

**FEEDING AMERICA**  
**Statements of Financial Position**  
June 30, 2014 and 2013  
(In thousands)

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets:		
Cash	\$ 30,540	24,906
Short-term investments	2,407	2,370
Contributions receivable, net	16,838	16,487
Accounts receivable, net	3,968	4,544
Notes receivable, net	69	426
Other assets	747	974
Total current assets	54,569	49,707
Long-term investments	21,280	15,191
Contributions receivable, net	8,543	5,202
Notes receivable, net	353	256
Other assets	23	23
Furniture and equipment, net of accumulated depreciation of \$2,833 and \$2,457 in 2014 and 2013, respectively	1,773	1,586
Total assets	\$ 86,541	71,965
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,603	17,570
Deferred revenue	450	619
Other obligations	75	74
Current portion of loan payable	562	562
Current portion of leases payable	241	220
Total current liabilities	16,931	19,045
Loan payable	—	563
Leases payable	2,101	2,334
Other obligations	653	817
Total liabilities	19,685	22,759
Net assets:		
Unrestricted	26,657	17,036
Temporarily restricted	38,401	30,594
Permanently restricted	1,798	1,576
Total net assets	66,856	49,206
Total liabilities and net assets	\$ 86,541	71,965

See accompanying notes to financial statements.

**FEEDING AMERICA**

Statements of Activities

Years ended June 30, 2014 and 2013

(In thousands)

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Public support and revenue:								
Public support:								
Individual contributions	\$ 33,077	2,363	—	35,440	28,813	1,378	—	30,191
Corporate contributions	20,069	16,126	—	36,195	23,663	15,048	—	38,711
Foundations	1,425	447	—	1,872	2,247	507	—	2,754
Corporate promotions	12,582	7,976	—	20,558	14,652	1,765	—	16,417
Total fundraising	67,153	26,912	—	94,065	69,375	18,698	—	88,073
Donated goods and services	1,942,723	—	—	1,942,723	1,784,017	—	—	1,784,017
Total public support	2,009,876	26,912	—	2,036,788	1,853,392	18,698	—	1,872,090
Revenue:								
Member fees	3,698	—	—	3,698	2,970	—	—	2,970
Conference fees	999	—	—	999	996	—	—	996
Other revenue	1,176	—	—	1,176	2,317	—	—	2,317
Food procurement revenue	61,846	—	—	61,846	65,980	—	—	65,980
Investment income	60	—	—	60	83	—	—	83
Net assets released from restriction	19,372	(19,372)	—	—	13,689	(13,689)	—	—
Total public support and revenue	2,097,027	7,540	—	2,104,567	1,939,427	5,009	—	1,944,436
Expenses:								
Program services:								
Member services	30,922	—	—	30,922	34,151	—	—	34,151
Food procurement	2,017,114	—	—	2,017,114	1,864,444	—	—	1,864,444
Public awareness and education	3,872	—	—	3,872	3,769	—	—	3,769
Public programs and policy	4,184	—	—	4,184	3,639	—	—	3,639
Research and analysis	3,588	—	—	3,588	4,099	—	—	4,099
Total program services	2,059,680	—	—	2,059,680	1,910,102	—	—	1,910,102
Supporting services:								
Management and general	6,364	—	—	6,364	7,148	—	—	7,148
Fund development	24,076	—	—	24,076	22,143	—	—	22,143
Total supporting services	30,440	—	—	30,440	29,291	—	—	29,291
Total expenses	2,090,120	—	—	2,090,120	1,939,393	—	—	1,939,393
Increase in net assets as a result of operations	6,907	7,540	—	14,447	34	5,009	—	5,043
Nonoperating activities:								
Wills and bequests	824	—	—	824	746	—	—	746
Individual contributions	—	—	189	189	—	—	4	4
Investment return	1,862	318	—	2,180	801	170	—	971
Other	28	(51)	33	10	(8)	(317)	5	(320)
Loss on disposition of furniture and equipment	—	—	—	—	(5)	—	—	(5)
Changes in net assets	9,621	7,807	222	17,650	1,568	4,862	9	6,439
Net assets at beginning of year	17,036	30,594	1,576	49,206	15,468	25,732	1,567	42,767
Net assets at end of year	\$ 26,657	38,401	1,798	66,856	17,036	30,594	1,576	49,206

See accompanying notes to financial statements.

**FEEDING AMERICA**  
Statement of Functional Expenses  
Year ended June 30, 2014  
(In thousands)

	Program services			Supporting services			Total program services	Management and general	Fund development	Total supporting services	Total expenses
	Member services	Food procurement	Total member services	Public awareness and education	Public programs and policy	Research and analysis					
Salaries	\$ 4,510	4,194	8,704	1,150	1,877	981	12,712	3,159	4,468	7,627	20,339
Benefits and taxes	963	933	1,896	251	420	258	2,825	637	1,003	1,640	4,465
Total salaries and related expenses	5,473	5,127	10,600	1,401	2,297	1,239	15,537	3,796	5,471	9,267	24,804
Professional services and fees	1,830	488	2,318	877	1,060	1,944	6,199	1,087	6,165	7,252	13,451
Professional development	4	3	7	2	4	2	15	79	9	88	103
Supplies	71	48	119	17	21	39	196	48	73	121	317
Telecommunications	75	68	143	16	25	24	208	36	63	99	307
Publications and memberships	6	2	8	4	24	3	39	63	11	74	113
Advertising	1	—	1	1,261	27	—	1,289	14	1,536	1,550	2,839
Postage and shipping	7	5	12	1	3	4	20	10	4,276	4,286	4,306
Disaster purchases and transportation	—	221	221	—	—	—	221	—	—	—	221
Food sourcing and transportation	—	63,205	63,205	—	—	—	63,205	—	—	—	63,205
Occupancy	260	250	510	111	208	118	947	274	386	660	1,607
Insurance	20	19	39	8	16	10	73	21	29	50	123
Equipment and maintenance	177	36	213	11	44	12	280	42	38	80	360
Printing and production	64	27	91	83	137	3	314	167	5,486	5,653	5,967
Travel and business meetings	1,004	244	1,248	39	223	151	1,661	195	276	471	2,132
Special events	4	—	4	—	2	—	6	35	3	38	44
Software expense	224	6	230	2	6	3	241	18	57	75	316
Member grants	21,455	5,266	26,721	—	—	—	26,721	—	—	—	26,721
Miscellaneous	—	—	—	—	16	—	16	(26)	84	58	74
Interest	—	7	7	—	—	—	7	—	—	—	7
Depreciation	98	86	184	20	37	21	262	49	69	118	380
Total expenses before donated goods and services	30,773	75,108	105,881	3,853	4,150	3,573	117,457	5,908	24,032	29,940	147,397
Donated goods and services	149	1,942,006	1,942,155	19	34	15	1,942,223	456	44	500	1,942,723
Total	\$ 30,922	2,017,114	2,048,036	3,872	4,184	3,588	2,059,680	6,364	24,076	30,440	2,090,120
Percent of total expenses	1.48%	96.51%	97.99%	0.19%	0.20%	0.17%	98.54%	0.30%	1.15%	1.46%	100.00%

See accompanying notes to financial statements.

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

	Program services			Supporting services			Total program services	Management and general	Fund development	Total supporting services	Total expenses
	Member services	Food procurement	Total member services	Public awareness and education	Public programs and policy	Research and analysis					
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

### Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Changes in net assets	\$ 17,650	6,439
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	380	379
Provision on uncollectible notes and contribution receivable, net of losses	(7)	69
Loss on sublease obligation	—	253
Deferred lease obligation	(212)	(79)
Net gains on investments	(1,930)	(723)
Loss on disposition of furniture and equipment	—	5
Contributions designated for long-term investment	(1,013)	(750)
Changes in operating assets and liabilities:		
Contributions receivable	(3,739)	1,883
Accounts receivable and other assets	804	(143)
Accounts payable and accrued expenses	(1,967)	4,994
Deferred revenue	(169)	269
Other obligations	(163)	(1,987)
Net cash provided by operating activities	9,634	10,609
Cash flows from investing activities:		
Purchase of investments	(27,163)	(13,358)
Sale or maturity of investments	22,967	10,819
Acquisition of furniture and equipment	(567)	(38)
Issuance of notes receivable to members	(225)	(375)
Notes receivable repayments	538	580
Net cash used in investing activities	(4,450)	(2,372)
Cash flows from financing activities:		
Proceeds from draw on line of credit	19,219	258
Repayment on line of credit	(19,219)	(258)
Repayment of loan payable	(563)	(500)
Contributions designated for long-term investment	1,013	750
Net cash provided by financing activities	450	250
Net increase in cash	5,634	8,487
Cash at beginning of year	24,906	16,419
Cash at end of year	\$ 30,540	24,906
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 25	31

See accompanying notes to financial statements.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(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 and Use of Estimates*

The financial statements of Feeding America have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

##### (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 invests in various investment securities including U.S. government and agency securities, domestic equity mutual funds, corporate bonds, fixed-income mutual funds, asset-backed securities, money market funds, international equity mutual 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

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

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 (note 4).

**(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, 2014 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, 2014 within one year are \$16,838 and from one to five years are \$9,350. Gross contributions receivable as of June 30, 2013 within one year are \$16,487 and from one to five years are \$5,742. Feeding America has an allowance for uncollectible contributions receivable of \$387 and \$340 as of June 30, 2014 and 2013, 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, 2014 and 2013, Feeding America distributed approximately 1,129 million pounds and 1,055 million pounds, respectively, of

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

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 \$1.72 and \$1.69, respectively, during 2014 and 2013, was based upon a study performed by Feeding America. Many of the national donors donate food and grocery products directly to local members. Beginning in 2011, Feeding America has 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 801 million pounds and 704 million pounds as of June 30, 2014 and 2013, respectively. The dollar amount of these pounds distributed to member food banks under these agreements is approximately \$1,377,429 and \$1,190,422, respectively, and is included within donated goods and services in the accompanying financial statements. Any remaining donations made directly to local member food banks from national donors with whom Feeding America does not have a written agreement are not included in the accompanying financial statements because Feeding America does not have written agreements with such donors granting Feeding America explicit authority over the distribution of such donated goods and services (note 10).

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to Feeding America. For those services that do not require special expertise, the 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, 2014 and 2013, Feeding America received approximately \$1,942,723 and \$1,784,017 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.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

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 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 2014 or 2013 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, 2013 to March 31, 2014 and the year ended June 30, 2013, Feeding America's Public Service Announcement campaign in partnership with Ad Council received \$50,344 and \$49,580, respectively, in donated media support, mainly through radio, television, and outdoor channels, as estimated by the Ad Council.

(j) ***Operations***

Revenue 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 revenue 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 recorded as deferred revenue. Other revenue includes funds received from the sale of Feeding America mailing lists to other nonprofit organizations, settlement funds

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

from legal cases to which courts appointed Feeding America as uninvolved beneficiary, revenue from sublease agreement, 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 2014 and 2013, respectively, Feeding America received approximately \$1,206 and \$620 in agency funds and all but \$1,200 and \$301 was distributed to member food banks and is included in accounts payable and accrued expenses at fiscal year-end.

As of June 30, 2014 and 2013, Feeding America accrued expenses of \$3,264 and \$5,044, 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 \$3,097 and are included in accounts payable and accrued expenses. Amounts payable within two to five years are \$167 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, 2014 and 2013, 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.

**(m) *Reclassifications***

Certain amounts presented in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

### (3) Investments

#### (a) Overall Investment Objective

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

#### (b) Allocation of Investment Strategies

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

The cost and fair value of short- and long-term investments at June 30, 2014 and 2013 were as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>
Government and agency securities and mutual funds	\$ 1,363	1,366	2,671	2,657
Domestic equity mutual funds	7,723	8,051	4,660	5,640
Corporate bonds and fixed-income mutual funds	6,971	7,003	3,614	3,571
Asset-backed securities and investment funds	735	754	184	184
Money market funds	3,119	3,119	3,904	3,904
International equity mutual funds	3,166	3,361	1,331	1,571
Limited partnership	33	33	34	34
	<u>\$ 23,110</u>	<u>23,687</u>	<u>16,398</u>	<u>17,561</u>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Investment return for the years ended June 30, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Return on investments:		
Interest and dividends	\$ 310	331
Gains (losses) on investments:		
Net realized gains (losses)	2,514	(43)
Net change in unrealized gains and losses	<u>(584)</u>	<u>766</u>
Net gains on investments	<u>1,930</u>	<u>723</u>
Total return on investments	<u>\$ 2,240</u>	<u>1,054</u>

Long-term investments at June 30, 2014 and 2013 include \$749 and \$600, respectively, in a Disaster Relief Fund.

#### (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 equity mutual funds, international equity mutual funds, government and agency securities and mutual funds, asset-backed securities and investment 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



## **FEEDING AMERICA**

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

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, 2014 and 2013.

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, 2014 and 2013

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2014:

	<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	\$ 30,540	30,540	—	—
Investments:				
Government and agency securities and mutual funds	1,366	142	1,224	—
Domestic equity mutual funds	8,051	4,304	3,747	—
Corporate bonds and fixed-income mutual funds	7,003	7,003	—	—
Asset-backed securities and investment funds	754	754	—	—
Money market funds	3,119	3,119	—	—
International equity mutual funds	3,361	1,756	1,605	—
Limited partnership	33	—	33	—
Total investments	<u>23,687</u>	<u>17,078</u>	<u>6,609</u>	<u>—</u>
Total assets	<u>\$ 54,227</u>	<u>47,618</u>	<u>6,609</u>	<u>—</u>

**FEEDING AMERICA**

Notes to Financial Statements

June 30, 2014 and 2013

(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	2,657	193	2,464	—
Domestic equity mutual funds	5,640	5,640	—	—
Corporate bonds and fixed-income mutual funds	3,571	3,341	230	—
Asset-backed securities and mutual funds	184	—	184	—
Money market funds	3,904	3,904	—	—
International equity mutual funds	1,571	1,571	—	—
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>

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, 2014.

**FEEDING AMERICA**

Notes to Financial Statements

June 30, 2014 and 2013

(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 18th 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, 2014 and 2013. Lease expense under the terms of all operating leases amounted to approximately \$1,558 in 2014 and \$1,610 in 2013 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 started 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, 2014 are as follows:

Fiscal year ending June 30:		
2015	\$	1,717
2016		1,750
2017		1,783
2018		1,820
2019		1,854
Thereafter		<u>3,570</u>
Total minimum lease payments	\$	<u><u>12,494</u></u>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Future minimum sublease payments to be received as of June 30, 2014 are as follows:

Fiscal year ending June 30:			
2015		\$	154
2016			159
2017			164
2018			97
			<hr/>
Total minimum lease payments		\$	<u>574</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, 2014 and 2013. The line of credit expires on November 30, 2014.

**(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 payment due in fiscal year 2015 of \$562 is included in current portion of loans payable in the accompanying June 30, 2014 statement of financial position.

**(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, 2014. 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, 2014 and 2013

(Dollars in thousands)

#### (6) Temporarily Restricted Funds

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Member services	\$ 16,294	13,887
Public programs and policy	9,060	4,712
Research and analysis	1,260	2,515
Food procurement	4,195	5,250
Public awareness and education	193	1,005
Fund development	352	210
Management and general	7,047	3,015
Total temporarily restricted funds	\$ 38,401	30,594

#### (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, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ —	582	1,798	2,380
Board-designated reserve funds	16,599	—	—	16,599
Disaster relief funds	749	—	—	749
Total endowment net assets	\$ 17,348	582	1,798	19,728

**FEEDING AMERICA**

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Endowment net assets consist of the following at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	319	1,576	1,895
Board-designated reserve funds	11,627	—	—	11,627
Disaster relief funds	600	—	—	600
<b>Total endowment net assets</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, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 12,227	319	1,576	14,122
Investment return	1,732	318	33	2,083
Contributions	3,389	—	189	3,578
Appropriated expenditures of endowment assets	—	(55)	—	(55)
<b>Endowment net assets, June 30, 2014</b>	<b>\$ 17,348</b>	<b>582</b>	<b>1,798</b>	<b>19,728</b>

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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>

## FEEDING AMERICA

### Notes to Financial Statements

June 30, 2014 and 2013

(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 no deficiencies as of June 30, 2014 and 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, 2014 and 2013, Feeding America recorded approximately \$29,808 and \$25,612, respectively, in cash and pledges and \$1,198,796 and \$1,053,859 in goods and services from companies that have representatives who are members of Feeding America's board of directors. At June 30, 2014 and 2013, Feeding America had \$14,067 and \$8,772 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, 2014 and 2013

(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, \$231 was outstanding. No balances were outstanding as of June 30, 2014. The loan agreements expired December 31, 2013 and were 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, 2014 and 2013, \$70 and \$151 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, 2014 and 2013, \$150 and \$375 are outstanding, respectively.

Feeding America has recognized an allowance estimated for uncollectible notes receivable of 10% of the outstanding principal balance. At June 30, 2014 and 2013, an allowance of \$21 and \$75, respectively, was recorded as a reduction to notes receivable.

On May 22, 2014, Feeding America issued a \$750 revolving line of credit to a start-up food bank member for the acquisition of trucks and warehouse equipment. The line of credit bears interest at LIBOR plus 2% beginning in year three of the agreement. The agreement expires on December 31, 2017. As of June 30, 2014, \$225 is outstanding.

#### **(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, 2014 and 2013 were approximately \$1,075 and \$941, respectively.

## **FEEDING AMERICA**

### Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

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

During the years ended June 30, 2014 and 2013, the Feeding America Network distributed approximately 1,624 million pounds and 1,475 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 494 million and 420 million pounds for the years ended June 30, 2014 and 2013, respectively, have not been recognized in the accompanying financial statements as Feeding America did not exercise control over the distribution of these donations.

#### **(11) Subsequent Events**

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Feeding America evaluated subsequent events after the statement of financial position date of June 30, 2014 through September 22, 2014, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.