



FEEDING AMERICA

Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
October 7, 2016

FEEDING AMERICA
Statements of Financial Position
June 30, 2016 and 2015
(In thousands)

Assets	2016	2015
Current assets:		
Cash	\$ 40,645	50,398
Short-term investments	3,468	3,446
Contributions receivable, net	26,036	23,122
Accounts receivable, net	5,102	3,467
Notes receivable, net	160	289
Other assets	505	482
Total current assets	75,916	81,204
Long-term investments	20,329	20,242
Contributions receivable, net	11,472	4,912
Notes receivable, net	638	485
Other assets	23	89
Furniture and equipment, net of accumulated depreciation of \$3,766 and \$3,199 in 2016 and 2015, respectively	3,450	2,093
Total assets	\$ 111,828	109,025
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,161	22,400
Deferred revenue	1,016	1,799
Other obligations	77	75
Current portion of leases payable	296	243
Total current liabilities	13,550	24,517
Leases payable, less current portion	1,537	1,859
Other obligations	975	503
Total liabilities	16,062	26,879
Net assets:		
Unrestricted	31,794	28,012
Temporarily restricted	62,139	52,321
Permanently restricted	1,833	1,813
Total net assets	95,766	82,146
Total liabilities and net assets	\$ 111,828	109,025

See accompanying notes to financial statements.

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Statements of Activities

Years ended June 30, 2016 and 2015

(In thousands)

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Public support and revenue:								
Public support:								
Individual contributions	\$ 34,291	2,839	—	37,130	37,203	1,890	—	39,093
Corporate contributions	17,399	29,412	—	46,811	17,911	19,446	—	37,357
Foundations	397	219	—	616	1,717	4,978	—	6,695
Corporate promotions	23,360	11,849	—	35,209	17,197	9,807	—	27,004
Total fundraising	75,447	44,319	—	119,766	74,028	36,121	—	110,149
Donated goods and services	2,288,551	—	—	2,288,551	2,065,718	—	—	2,065,718
Total public support	2,363,998	44,319	—	2,408,317	2,139,746	36,121	—	2,175,867
Revenue:								
Member fees	4,291	—	—	4,291	4,374	—	—	4,374
Conference fees	1,278	—	—	1,278	1,153	—	—	1,153
Other revenue	2,174	—	—	2,174	1,391	—	—	1,391
Food procurement revenue	62,762	—	—	62,762	59,976	—	—	59,976
Investment income	16	—	—	16	11	—	—	11
Net assets released from restriction	35,268	(35,268)	—	—	22,198	(22,198)	—	—
Total public support and revenue	2,469,787	9,051	—	2,478,838	2,228,849	13,923	—	2,242,772
Expenses:								
Program services:								
Member services	54,751	—	—	54,751	44,418	—	—	44,418
Food procurement	2,365,556	—	—	2,365,556	2,139,803	—	—	2,139,803
Public awareness and education	5,411	—	—	5,411	4,682	—	—	4,682
Policy and advocacy	1,893	—	—	1,893	1,927	—	—	1,927
Programs	2,609	—	—	2,609	2,320	—	—	2,320
Research and analysis	4,391	—	—	4,391	3,457	—	—	3,457
Total program services	2,434,611	—	—	2,434,611	2,196,607	—	—	2,196,607
Supporting services:								
Management and general	7,213	—	—	7,213	7,076	—	—	7,076
Fund development	26,031	—	—	26,031	25,050	—	—	25,050
Total supporting services	33,244	—	—	33,244	32,126	—	—	32,126
Total expenses	2,467,855	—	—	2,467,855	2,228,733	—	—	2,228,733
Increase in net assets as a result of operations	1,932	9,051	—	10,983	116	13,923	—	14,039
Nonoperating activities:								
Wills and bequests	1,964	755	—	2,719	1,366	—	—	1,366
Individual contributions	—	—	20	20	—	—	15	15
Investment return	61	12	—	73	(7)	(3)	—	(10)
Other	(175)	—	—	(175)	(111)	—	—	(111)
Loss on disposition of furniture and equipment	—	—	—	—	(9)	—	—	(9)
Changes in net assets	3,782	9,818	20	13,620	1,355	13,920	15	15,290
Net assets at beginning of year	28,012	52,321	1,813	82,146	26,657	38,401	1,798	66,856
Net assets at end of year	\$ 31,794	62,139	1,833	95,766	28,012	52,321	1,813	82,146

See accompanying notes to financial statements.

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Statement of Functional Expenses
Year ended June 30, 2016
(In thousands)

	Member services			Program services					Supporting services			Total expenses
	Member services	Food procurement	Total member services	Public awareness and education	Policy and Advocacy	Programs	Research and analysis	Total program services	Management and general	Fund development	Total supporting services	
Salaries	\$ 4,965	4,464	9,429	1,577	953	1,124	1,544	14,627	3,805	5,617	9,422	24,049
Benefits and taxes	1,175	1,091	2,266	376	219	295	379	3,535	801	1,344	2,145	5,680
Total salaries and related expenses	6,140	5,555	11,695	1,953	1,172	1,419	1,923	18,162	4,606	6,961	11,567	29,729
Professional services and fees	2,962	882	3,844	1,371	335	311	1,942	7,803	1,160	7,264	8,424	16,227
Telecommunications	63	81	144	20	14	17	35	230	44	75	119	349
Advertising	—	—	—	1,294	14	428	—	1,736	3	1,464	1,467	3,203
Postage and shipping	9	5	14	2	3	2	3	24	18	4,318	4,336	4,360
Disaster purchases and transportation	—	389	389	—	—	—	—	389	—	—	—	389
Food sourcing and transportation	—	62,157	62,157	—	—	—	—	62,157	—	—	—	62,157
Occupancy	247	209	456	133	112	79	128	908	331	395	726	1,634
Insurance	24	18	42	11	9	7	11	80	28	33	61	141
Equipment and maintenance	85	30	115	14	9	9	15	162	37	43	80	242
Printing and production	232	37	269	309	2	32	18	630	72	4,886	4,958	5,588
Travel and business meetings	1,369	528	1,897	86	149	203	242	2,577	232	377	609	3,186
Software expense	268	95	363	19	3	5	63	453	237	33	270	723
Member grants	41,429	8,793	50,222	—	—	—	—	50,222	—	—	—	50,222
Other	53	37	90	18	40	73	(12)	209	296	82	378	587
Depreciation	49	155	204	175	18	13	21	431	55	81	136	567
Total expenses before donated goods and services	52,930	78,971	131,901	5,405	1,880	2,598	4,389	146,173	7,119	26,012	33,131	179,304
Donated goods and services	1,821	2,286,585	2,288,406	6	13	11	2	2,288,438	94	19	113	2,288,551
Total	\$ 54,751	2,365,556	2,420,307	5,411	1,893	2,609	4,391	2,434,611	7,213	26,031	33,244	2,467,855
Percent of total expenses	2.22%	95.85%	98.07%	0.22%	0.08%	0.11%	0.18%	98.65%	0.29%	1.05%	1.35%	100.00%

See accompanying notes to financial statements.

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Statement of Functional Expenses
Year ended June 30, 2015
(In thousands)

	Member services			Program services				Supporting services			Total expenses	
	Member services	Food procurement	Total member services	Public awareness and education	Policy and advocacy	Programs	Research and analysis	Total program services	Management and general	Fund development		Total supporting services
Salaries	\$ 4,945	4,386	9,331	1,194	873	884	1,106	13,388	3,837	5,379	9,216	22,604
Benefits and taxes	1,093	1,001	2,094	286	188	226	266	3,060	687	1,178	1,865	4,925
Total salaries and related expenses	6,038	5,387	11,425	1,480	1,061	1,110	1,372	16,448	4,524	6,557	11,081	27,529
Professional services and fees	2,897	813	3,710	1,756	499	783	1,663	8,411	1,124	6,471	7,595	16,006
Telecommunications	101	81	182	19	16	16	31	264	44	82	126	390
Advertising	14	—	14	856	44	—	—	914	10	1,665	1,675	2,589
Postage and shipping	13	4	17	2	1	1	1	22	7	4,412	4,419	4,441
Disaster purchases and transportation	—	212	212	—	—	—	—	212	—	—	—	212
Food sourcing and transportation	—	60,667	60,667	—	—	—	—	60,667	—	—	—	60,667
Occupancy	297	215	512	107	108	82	115	924	324	421	745	1,669
Insurance	29	17	46	8	9	6	9	78	26	33	59	137
Equipment and maintenance	101	25	126	15	8	7	10	166	38	35	73	239
Printing and production	116	27	143	149	3	159	33	487	66	4,834	4,900	5,387
Travel and business meetings	1,271	383	1,654	89	113	115	166	2,137	218	283	501	2,638
Software expense	118	14	132	4	3	4	7	150	43	39	82	232
Member grants	32,520	7,288	39,808	—	—	—	—	39,808	—	—	—	39,808
Other	83	49	132	89	27	17	17	282	302	96	398	680
Interest	—	1	1	—	—	—	—	1	—	—	—	1
Depreciation	72	61	133	93	16	12	17	271	48	71	119	390
Total expenses before donated goods and services	43,670	75,244	118,914	4,667	1,908	2,312	3,441	131,242	6,774	24,999	31,773	163,015
Donated goods and services	748	2,064,559	2,065,307	15	19	8	16	2,065,365	302	51	353	2,065,718
Total	\$ 44,418	2,139,803	2,184,221	4,682	1,927	2,320	3,457	2,196,607	7,076	25,050	32,126	2,228,733
Percent of total expenses	1.99%	96.01%	98.00%	0.21%	0.09%	0.10%	0.16%	98.56%	0.32%	1.12%	1.44%	100.00%

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Changes in net assets	\$ 13,620	15,290
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	567	390
Provision on uncollectible notes and contribution receivable	(19)	26
Deferred lease obligation	(269)	(240)
Restricted contributions	(755)	(15)
Net assets released from restriction for operations	35,268	22,198
Net realized and unrealized losses on investments	341	418
Loss on disposition of furniture and equipment	—	9
Contributions designated for long-term investment	(2,739)	(1,381)
Changes in operating assets and liabilities:		
Contributions receivable	(9,500)	(2,693)
Accounts receivable and other assets	(1,304)	486
Accounts payable and accrued expenses	(10,239)	6,797
Deferred revenue	(783)	1,349
Other obligations	474	(150)
Net cash provided by operating activities	24,662	42,484
Cash flows from investing activities:		
Purchase of investments	(584)	(1,707)
Sale or maturity of investments	134	1,288
Acquisition of furniture and equipment	(1,924)	(719)
Issuance of notes receivable to members	(305)	(268)
Notes receivable repayments	38	144
Net cash used in investing activities	(2,641)	(1,262)
Cash flows from financing activities:		
Proceeds from draw on line of credit	—	3,278
Repayment on line of credit	—	(3,278)
Repayment of loan payable	—	(562)
Contributions designated for long-term investment	2,739	1,381
Restricted contributions	755	15
Net assets released from restriction for operations	(35,268)	(22,198)
Net cash used in financing activities	(31,774)	(21,364)
Net change in cash	(9,753)	19,858
Cash at beginning of year	50,398	30,540
Cash at end of year	\$ 40,645	50,398
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ —	3

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(1) Organization and Purpose

Feeding America (Organization) 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 approximately 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 which, at times, may exceed federally insured limits. Feeding America has not experienced any losses in such accounts. Management believes that Feeding America is not exposed to any significant credit risk on cash.

(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, money market funds, international equity mutual funds, hedge fund of funds, and limited partnerships. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

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).

Feeding America applies the measurement provisions of ASC Topic 820 to certain investments in mutual funds and alternative investments that do not have readily determinable fair values. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent. Interests in mutual funds and alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016 and 2015, Feeding America had no plans or intentions to sell investments at amounts different from NAV.

(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, 2016 and 2015 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 3.50% and 3.25%, respectively. Gross contributions receivable as of June 30, 2016 within one year are \$26,036 and from one to five years are \$12,546. Gross contributions receivable as of June 30, 2015 within one year are \$23,122 and from one to five years are \$5,529. Feeding America also has an allowance for uncollectible contributions receivable of \$453 and \$427 as of June 30, 2016 and 2015, 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

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

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, 2016 and 2015, Feeding America distributed approximately 1,369 million pounds and 1,214 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 \$1.67 and \$1.70, respectively, during 2016 and 2015, 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 entered into written contracts with national donors to distribute grocery products directly to its local members. The pounds distributed to member food banks under these agreements amounted to 1,043 million pounds and 904 million pounds as of June 30, 2016 and 2015, respectively. The dollar amount of these pounds distributed to member food banks under these agreements is \$1,741,289 and \$1,537,285, respectively, and is included within donated goods and services in the accompanying financial statements. The pounds that have been directly donated to Feeding America and then distributed to the member food banks amounted to 326 million pounds and 310 million pounds as of June 30, 2016 and 2015, respectively. The dollar amount of these pounds is approximately \$545,240 and \$527,095, 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, 2016 and 2015, Feeding America received \$2,288,551 and \$2,065,718 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

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(Dollars in thousands)

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 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 year 2016 or 2015 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 from July 1, 2015 to March 31, 2016 and the year ended June 30, 2015, Feeding America's Public Service Announcement campaign in partnership with Ad Council received \$57,407 and \$55,221, respectively, in donated media support, mainly through radio, television, and outdoor channels, as estimated by the Ad Council.

(j) Operations

Revenue is 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.

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June 30, 2016 and 2015

(Dollars in thousands)

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 is 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 and produce programs.

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 fiscal year end are recorded as 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, 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 2016 and 2015, respectively, Feeding America received approximately \$95 and \$81 in agency funds.

As of June 30, 2016 and 2015, Feeding America accrued expenses of \$4,215 and \$13,285, 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. For fiscal year 2016, amounts payable within one year are \$3,719 and are included in accounts payable and accrued expenses. Amounts payable within two to five years are \$496 and are included in other noncurrent obligations. For fiscal year 2015, amounts payable within one year are \$13,268 and are included in accounts payable and accrued expenses. Amounts payable within two to five years are \$17 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, 2016 and 2015, Feeding America does not have a liability for unrecognized tax benefits.

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Notes to Financial Statements

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(Dollars in thousands)

(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 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

(3) Investments

(a) Overall Investment Objective

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

(b) Allocation of Investment Strategies

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

The cost and fair value of short- and long-term investments at June 30, 2016 and 2015 were as follows:

	2016		2015	
	Cost	Fair value	Cost	Fair value
Government and agency securities and mutual funds	\$ 6,813	6,841	4,096	4,068
Money market funds	698	698	678	678
Domestic equity mutual funds	5,238	5,438	5,293	5,463
Corporate bonds and fixed-income mutual funds	3,596	3,589	6,436	6,286
Asset-backed securities and investment funds			—	—
International equity mutual funds	6,412	5,667	5,990	5,587
Hedge fund of funds	1,500	1,529	1,500	1,575
Limited partnership	35	35	31	31
	\$ 24,292	23,797	24,024	23,688

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(Dollars in thousands)

Feeding America has invested in alternative investments – hedge fund of funds. The funds are primarily invested in global equity markets and private investment funds. There are no additional funding commitments as of June 30, 2016. Feeding America has the ability to withdraw from the alternative investment all or any portion of its capital as of the last business day of each calendar quarter, with at least 60 calendar days' written notice.

Investment return for the years ended June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Return on investments:		
Interest and dividends	\$ 430	419
Gains (losses) on investments:		
Net realized gains (losses)	(183)	510
Net change in unrealized losses	<u>(158)</u>	<u>(928)</u>
Net losses on investments	<u>(341)</u>	<u>(418)</u>
Total return on investments	<u>\$ 89</u>	<u>1</u>

Investment returns are included in the accompanying statements of activities for the years ended June 30, 2016 and 2015:

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Other operating revenue:		
Interest and dividend income	\$ 16	11
Nonoperating gains and losses – investment return	61	(7)
Other changes in temporarily restricted investments:		
Restricted investment income (loss)	<u>12</u>	<u>(3)</u>
Total investment return	<u>\$ 89</u>	<u>1</u>

Short-term investments at June 30, 2016 and 2015 include \$757 and \$751, respectively, in a Disaster Relief Fund. Investment fees, included as a reduction of interest and dividends above, were \$78 and \$79 for the years ended June 30, 2016 and 2015, respectively.

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Notes to Financial Statements

June 30, 2016 and 2015

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

(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.

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Feeding America adopted, and retrospectively applied, the provisions of Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU No. 2015-07 amends ASC Topic 820, *Fair Value Measurement*, to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient.

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

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

	<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	\$ 40,645	40,645	—	—
Investments:				
Government and agency securities and mutual funds	6,841	3,248	3,593	—
Money market funds	698	12	686	—
Domestic equity mutual funds	5,438	2,925	2,513	—
Corporate bonds and fixed-income mutual funds	3,589	3,589	—	—
International equity mutual funds	5,667	2,313	3,354	—
Hedge fund of funds ¹	1,529	—	—	—
Limited partnership	35	—	35	—
Total investments	<u>23,797</u>	<u>12,087</u>	<u>10,181</u>	<u>—</u>
Total assets	<u>\$ 64,442</u>	<u>52,732</u>	<u>10,181</u>	<u>—</u>

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2015:

	<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	\$ 50,398	50,398	—	—
Investments:				
Government and agency securities and mutual funds	4,068	1,241	2,827	—
Money market funds	678	678	—	—
Domestic equity mutual funds	5,463	3,155	2,308	—
Corporate bonds and fixed-income mutual funds	6,286	6,286	—	—
International equity mutual funds	5,587	2,307	3,280	—
Hedge fund of funds ¹	1,575			
Limited partnership	31	—	31	—
	<u>23,688</u>	<u>13,667</u>	<u>8,446</u>	<u>—</u>
Total investments				
Total assets	<u>\$ 74,086</u>	<u>64,065</u>	<u>8,446</u>	<u>—</u>

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

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Feeding America evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal year ended June 30, 2016.

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Notes to Financial Statements

June 30, 2016 and 2015

(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 in Chicago, Illinois 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, 2016 and 2015. Lease expense under the terms of all operating leases amounted to approximately \$1,586 in 2016 and \$1,619 in 2015 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.

Future minimum lease payments as of June 30, 2016 are as follows:

Fiscal year ending June 30:		
2017	\$	1,783
2018		1,821
2019		1,854
2020		1,888
2021		996
Thereafter		<u>686</u>
Total future minimum lease payments	\$	<u><u>9,028</u></u>

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Future minimum sublease payments to be received as of June 30, 2016 are as follows:

Fiscal year ending June 30:	
2017	\$ 164
2018	97
	<hr/>
Total future minimum sublease payments	\$ <u>261</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 a general lien on the assets of Feeding America. There were no borrowings outstanding under the line of credit at June 30, 2016 and 2015. The line of credit expires on November 30, 2016.

(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). In August 2014, the final principal payment of \$562 was made to the foundation. The loan bore interest at a fixed rate of 2.00% per annum and principal payments were due semiannually beginning June 30, 2010 through maturity of August 31, 2014.

(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, 2016. 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.

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(6) Temporarily Restricted Net Assets

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Member services	\$ 27,364	32,797
Food procurement	22,739	4,305
Management and general	5,102	4,917
Public programs	3,375	5,570
Research and analysis	2,677	3,075
Public awareness and education	842	1,116
Fund development	37	541
Policy and advocacy	3	—
Total temporarily restricted funds	\$ 62,139	52,321

(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, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ —	481	1,833	2,314
Board-designated reserve funds	16,632	—	—	16,632
Compliance reserve	55	—	—	55
Disaster relief funds	757	—	—	757
Total endowment net assets	\$ 17,444	481	1,833	19,758

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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	528	1,813	2,341
Board-designated reserve funds	16,583	—	—	16,583
Compliance reserve	112	—	—	112
Disaster relief funds	751	—	—	751
	<hr/>	<hr/>	<hr/>	<hr/>
Total endowment net assets	\$ <u>17,446</u>	<u>528</u>	<u>1,813</u>	<u>19,787</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 17,446	528	1,813	19,787
Investment return	55	9	—	64
Contributions	171	—	20	191
Appropriated expenditures of endowment assets	(228)	(56)	—	(284)
	<hr/>	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2016	\$ <u>17,444</u>	<u>481</u>	<u>1,833</u>	<u>19,758</u>

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 17,348	582	1,798	19,728
Investment return	(11)	(3)	—	(14)
Contributions	280	—	15	295
Appropriated expenditures of endowment assets	(171)	(51)	—	(222)
	<hr/>	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2015	\$ <u>17,446</u>	<u>528</u>	<u>1,813</u>	<u>19,787</u>

(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

FEEDING AMERICA

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(Dollars in thousands)

restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2016 and 2015.

(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 appropriate benchmarks 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 38-42-20% 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, 2016 and 2015, Feeding America recorded approximately \$31,015 and \$29,497, respectively, in cash and pledges and \$1,342,179 and \$1,327,102 in goods and services from companies that have representatives who are members of Feeding America's board of directors. At June 30, 2016 and 2015, Feeding America had \$13,318 and \$16,952 of pledges receivable, respectively, from companies that have representatives who are members of Feeding America's board of directors.

During 2011, Feeding America funded a second round of loans using proceeds from repayments from the first round. Loan terms are consistent with first round of loans and the loan agreements expire on December 31, 2014. Through a competitive bid process, 10 additional member food banks received funds for the purchase of vehicles in the amount of \$1,168. All payments were received in fiscal year 2015, and therefore, no balances were outstanding as of June 30, 2015.

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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 1.00% the following year. As of June 30, 2016 and 2015, \$0 and \$75 are outstanding, respectively. At June 30, 2016 and 2015, an allowance of \$0 and \$7, 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 2.00% beginning in year three of the agreement. The agreement expires on December 31, 2017. As of June 30, 2016 and 2015, \$638 and \$413 are outstanding, respectively.

On June 24, 2015, Feeding America issued a \$300 revolving line of credit to a food bank member for operating purposes. The line of credit bears interest at the LIBOR three-month maturity rate plus 2.00% beginning in year three of the agreement. The agreement expires on June 30, 2017. As of June 30, 2016 and 2015, \$160 and \$80 are outstanding, respectively.

(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 3.00% of each participant's compensation to the Plan. Feeding America makes an additional matching contribution of 3.00% if the employee contributes a minimum of 1.00% of their salary to the Plan. These employer contributions are made beginning with the employee's participation in the Plan (the employee's date of hire). Total retirement expense and contributions made by Feeding America for the years ended June 30, 2016 and 2015 were approximately \$1,324 and \$1,156, respectively.

(10) Direct Donations

During the years ended June 30, 2016 and 2015, the Feeding America Network distributed approximately 1,889 million pounds and 1,797 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 519 million and 583 million pounds for the years ended June 30, 2016 and 2015, 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, 2016 through October 7, 2016, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.