

**FEED MORE, INC.**

Financial Statements

June 30, 2009

# FEED MORE, INC.

## Table of Contents

	<u>Page</u>
Report of Independent Accountants	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors of  
Feed More, Inc.  
Richmond, Virginia:

We have audited the statement of financial position of Feed More, Inc. (the "Organization") as of June 30, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feed More, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Keiter, Stephens, Hurst, Gary & Shreaves, P.C.*

October 29, 2009

**FEED MORE, INC.**

Statement of Financial Position  
June 30, 2009

Assets

Assets:

Cash and cash equivalents	\$ 8,460,781
Accounts receivable	90,793
Grants and contributions receivable, net	1,305,995
Prepaid expenses	68,684
Inventory	1,501,820
Property and equipment, net	7,566,755
Other assets	8,541
Endowed investments	<u>1,390,387</u>
	<u>\$ 20,393,756</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 398,714
Accrued expenses	492,663
Deferred revenue	77,474
Refundable deposit	5,000
Mortgage payable	<u>572,802</u>
Total liabilities	<u>1,546,653</u>

Net assets:

Unrestricted net assets	14,732,449
Temporarily restricted net assets	1,958,599
Permanently restricted net assets	<u>2,156,055</u>
Total net assets	<u>18,847,103</u>
	<u>\$ 20,393,756</u>

See accompanying notes to the financial statements.

## FEED MORE, INC.

### Statement of Activities Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Program fees	\$ 1,023,489	\$ -	\$ -	\$ 1,023,489
Government fees	1,146,317	-	-	1,146,317
Government grants	60,531	220,825	-	281,356
Membership fees	32,188	-	-	32,188
Board donations	18,204	-	-	18,204
Individual donations	3,958,145	25,565	2,000	3,985,710
Direct mail contributions	2,099,356	100	-	2,099,456
Civic organization contributions	696,821	64,570	-	761,391
Foundation grants and contributions	980,029	184,650	-	1,164,679
Corporate and other contributions	658,572	119,286	-	777,858
Special events, net of \$59,015 of expenses	226,051	-	-	226,051
Miscellaneous income	8,301	-	-	8,301
Interest and dividends	49,752	70,806	-	120,558
Donated foods and services received	<u>15,399,588</u>	<u>-</u>	<u>-</u>	<u>15,399,588</u>
 Total revenues and other support	 <u>26,357,344</u>	 <u>685,802</u>	 <u>2,000</u>	 <u>27,045,146</u>
 Amounts released from restrictions	 <u>746,380</u>	 <u>(746,380)</u>	 <u>-</u>	 <u>-</u>
Expenses:				
Program services	20,495,870	-	-	20,495,870
Management and general	564,678	-	-	564,678
Fund-raising	<u>1,733,472</u>	<u>-</u>	<u>-</u>	<u>1,733,472</u>
 Total expenses	 <u>22,794,020</u>	 <u>-</u>	 <u>-</u>	 <u>22,794,020</u>
Unrealized loss on investments	(1,643)	(318,589)	-	(320,232)
Gain on sale of fixed assets	1,962	-	-	1,962
Rental income, net of \$78,862 of expenses	<u>16,267</u>	<u>-</u>	<u>-</u>	<u>16,267</u>
 Increase (decrease) in net assets	 <u>4,326,290</u>	 <u>(379,167)</u>	 <u>2,000</u>	 <u>3,949,123</u>
Net assets, beginning of year	10,916,537	1,827,388	2,154,055	14,897,980
Change in accounting principle	<u>(510,378)</u>	<u>510,378</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year, restated	<u>10,406,159</u>	<u>2,337,766</u>	<u>2,154,055</u>	<u>14,897,980</u>
Net assets, end of year	<u>\$ 14,732,449</u>	<u>\$ 1,958,599</u>	<u>\$ 2,156,055</u>	<u>\$ 18,847,103</u>

See accompanying notes to the financial statements.

## FEED MORE, INC.

### Statement of Functional Expenses Year Ended June 30, 2009

	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 2,355,819	\$ 322,232	\$ 445,056	\$ 3,123,107
Payroll taxes	191,886	25,248	35,101	252,235
Employee benefits	389,181	49,233	74,379	512,793
Total salaries and related benefits	2,936,886	396,713	554,536	3,888,135
Advertising	862	-	70,976	71,838
Bank fees	1,041	3,433	47,769	52,243
Computer expenses	38,738	21,449	80,613	140,800
Staff training	11,126	18,586	8,724	38,436
COOP purchase expense	8,219	-	-	8,219
Dues and subscriptions	24,172	3,507	4,476	32,155
Community training	1,942	827	87	2,856
Freight	83,804	-	-	83,804
Food purchases	997,532	-	-	997,532
Gas and oil	80,795	-	-	80,795
Insurance	55,418	631	-	56,049
Interest	18,965	828	1,476	21,269
Mailing house services	-	-	743,228	743,228
Merger expenses	-	31,270	17,260	48,530
Miscellaneous	39,480	9,122	11,059	59,661
Office supplies	15,210	6,585	7,159	28,954
Pest control	5,793	-	-	5,793
Postage	12,178	5,898	17,795	35,871
Professional fees	16,351	34,051	81,390	131,792
Printing and publications	17,086	1,534	49,323	67,943
Rent - equipment	21,935	1,307	1,462	24,704
Repairs and maintenance	265,270	3,136	5,779	274,185
Security	6,906	-	-	6,906
Supplies	179,466	321	651	180,438
Taxes and licenses	5,410	350	-	5,760
Telephone	35,828	6,924	9,634	52,386
Temporary labor	28,882	1,434	5,905	36,221
Trash disposal	17,311	-	-	17,311
Transportation	29,072	2,778	1,327	33,177
Utilities	144,630	2,934	5,233	152,797
Total expenses before depreciation and donated foods and services distributed	5,100,308	553,618	1,725,862	7,379,788
Depreciation	396,839	11,060	7,610	415,509
Donated foods and services distributed	14,998,723	-	-	14,998,723
Total expenses	<u>\$ 20,495,870</u>	<u>\$ 564,678</u>	<u>\$ 1,733,472</u>	<u>\$ 22,794,020</u>

See accompanying notes to the financial statements.

## FEED MORE, INC.

### Statement of Cash Flows Year Ended June 30, 2009

Cash flows from operating activities:	
Increase in net assets	\$ 3,949,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	459,216
Gain on sale of fixed assets	(1,962)
Unrealized loss on investments	320,232
Increase in in-kind inventories	(546,243)
Changes in operating assets and liabilities:	
Accounts receivable	60,379
Grants and contributions receivable	269,012
Prepaid expenses	(48,356)
Other assets	1,840
Accounts payable	76,358
Accrued expenses	62,185
Deferred revenue	<u>(10,399)</u>
Cash provided by operating activities	<u>4,591,385</u>
Cash flows from investing activities:	
Purchase of property and equipment	(383,134)
Purchase of investments	<u>(46,936)</u>
Cash used in investing activities	<u>(430,070)</u>
Cash flows from financing activities:	
Principal payments on mortgage payable	<u>(105,500)</u>
Net increase in cash	4,055,815
Cash and cash equivalents, beginning of year	<u>4,404,966</u>
Cash and cash equivalents, end of year	<u>\$ 8,460,781</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 32,722</u>

See accompanying notes to the financial statements.

## FEED MORE, INC.

### Notes to Financial Statements

#### 1. Organization:

Effective July 1, 2008, Feed More, Inc. (the "Organization") was established through a merger of Central Virginia Foodbank, Inc. (Foodbank) and Meals on Wheels serving Central Virginia, Inc. (Meals on Wheels) under the laws of the Commonwealth of Virginia to collect and redistribute food to the seniors, people with disabilities, and disadvantaged populations. The Foodbank and Meals on Wheels continue to operate under their existing names supported through contributions and grants in addition to its program and membership fees. The Foodbank and Meals on Wheels recognized their common mission of alleviating hunger and the need to be effective and efficient stewards of community resources and agreed to develop a single kitchen instead of separate facilities.

The Organization completed construction of the kitchen (the "Community Kitchen") in 2007. This project was financed through the "Come to the Table" capital campaign which began in 2005. The capital campaign raised \$7.8 million, of which \$7 million has been collected as of June 30, 2009 and \$800,000 has been pledged. These funds were used for the purchase of the Community Kitchen and \$1 million has been reflected as permanently restricted net assets.

The merger of Meals on Wheels into Foodbank at July 1, 2008 was recorded as follows:

Cash and cash equivalents	\$	725,900
Accounts receivable		55,833
Pledges receivable, net		270,492
Investments		281,629
Property and equipment, net		630,845
Investments restricted for endowment		903,555
Accounts payable		(74,410)
Accrued expenses		<u>(58,355)</u>
	\$	<u>2,735,489</u>

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies:

**Financial Statement Presentation:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents:** The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents included \$3,733,891 of certificates of deposit at June 30, 2009.

**Accounts Receivable:** Accounts receivables are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

**Pledges Receivables:** The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises, which include pledges and grants receivable at their net present value in the year promised, are recognized as unrestricted, temporarily or permanently restricted, or permanently restricted support as appropriate. Conditional promises are recorded when donor stipulations are substantially met.

**Property and Equipment:** Property and equipment are stated at cost. All donated property and equipment are stated at fair market value at the date of gift. Depreciation is charged to expense over the estimated useful lives of the assets ranging from three to 40 years using the straight-line method. Expenditures for maintenance and repairs are expensed currently, while expenditures for major improvements are capitalized.

**Endowed Investments:** The Organization's investments are reported at readily determinable fair value in the statement of financial position based on the net asset value reported by the investment company holding such investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the accompanying statement of activities.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Inventory:** The majority of the Organization's inventory is received from in-kind donations. The inventory is recorded as an asset when received and is valued at estimated fair value based on average value per pound of food. The average value per pound of food is \$1.58 at June 30, 2009, and is based upon a study performed by Feeding America specifically for aiding foodbanks across the country in valuing their inventories. These estimated fair values are used to determine the value of the products and services the Organization is providing to the community. Due to the nature of this inventory and the fact that it cannot be sold in the market, it will never be converted to cash during the normal business cycle. As of June 30, 2009, the value of in-kind inventory was \$1,347,775.

The remainder of the inventory not received through in-kind donations is purchased. The inventory is valued at the lower of cost or market. The Organization evaluates inventory levels and expected usage on a periodic basis and records valuation allowances as required. As of June 30, 2009, the value of the purchased inventory was \$154,045.

**Income Taxes:** The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Net Assets:** The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted funds include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

Temporarily restricted funds include cash and investments of \$1,777,744; grants and contribution receivables of \$144,641; prepaid expenses of \$42,483; less payables of \$6,269 that are primarily restricted for use in a subsequent year for specific purposes, including programmatic expenses and capital improvements. All grant funds received are recorded as an increase in temporarily restricted net assets. As the activities are performed, the restrictions to these net assets are released and subsequently reclassified to unrestricted net assets.

Permanently restricted funds include gift arrangements that provide that the principal assets of such funds are to be maintained inviolate and in perpetuity. Permanently restricted funds includes \$834,783 of grants and contribution receivables. Endowment income is transferred to unrestricted funds or temporarily restricted funds for charitable or operating purposes to the extent permitted by the Organization's spending policy or as specified in the gift agreement (see Note 12).

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Recognition of Contributions and Grants:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contribution or grant is recognized. 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. Contributions, including unconditional pledges, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

**Program Fees:** The Foodbank division of the Organization serves as a clearinghouse that solicits, collects, and stores surplus and salvage food and distributes it to its member agencies, which are nonprofit, tax-exempt agencies and organizations that provide meals and emergency food to their clients without charge. Member agencies pay a program fee per pound for products they withdraw from the Foodbank. During 2009, these shared program fees amounted to \$731,352.

**Contributed Materials and Services:** The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically have been purchased if not contributed, are recognized in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments, for which no value is recognized.

**Functional Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising:** Advertising costs are expensed as incurred.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Deferred Revenue:** Deferred revenue represents funds received for use in future periods and will be recognized as earned.

**Concentration of Credit Risk:** Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents, unsecured receivables, and investments. The Organization maintains its cash and cash equivalent balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, certain other cash deposits are guaranteed by various U.S. Government agencies. During the course of the year, the Organization periodically had funds in excess of the insured limits. However, as of June 30, 2009, all funds were either guaranteed or insured by a U.S. Government agency. The ability to collect receivables is affected by the general economic conditions.

Grants and contributions receivable are from individuals, corporations and foundations located primarily in central Virginia. The Organization believes its credit risk related to these grants and contributions receivable is limited due to the nature of its donors.

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balances and the amount reported in the financial statements.

**Adoption of New Accounting Principles:** During 2009, the Organization adopted FASB Staff Position 117-1, *Endowments of Non-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, and *Enhanced Disclosures of All Endowment Funds ("FSP")*. The Organization adopted the FSP on July 1, 2008, and it resulted in a reclassification of \$510,378 from unrestricted net assets to temporarily restricted net assets. Additionally, the FSP requires expanded disclosures for all endowment funds (see Note 12). The Organization also adopted for 2009 certain provisions of Statement of Financial Accounting Standard No. 157, *Fair Value Measurements ("SFAS 157")*, related to disclosures for financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements (see Note 13).

**Subsequent Events:** Management has evaluated subsequent events through October 29, 2009 for recognition or disclosure in the financial statements and notes.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 3. Grants and Contributions Receivable:

Grants and contributions receivable consist of the following unconditional promises to give at June 30, 2009:

Pledges for general operations	\$ 515,349
Pledges for capital campaign	<u>834,783</u>
Gross unconditional promises to give	1,350,132
Less: Allowance for uncollectible pledges	19,668
Less: Discount for present value, 4.53% in 2009	<u>24,469</u>
	<u>\$ 1,305,995</u>
Amounts due in:	
Less than one year	\$ 752,220
One to five years	<u>553,775</u>
Net grants and contributions receivable	<u>\$ 1,305,995</u>

#### 4. Property and Equipment:

Property and equipment consisted of the following at June 30, 2009:

Land	\$ 485,293
Building	6,350,945
Automotive	519,911
Furniture and equipment	2,078,114
Construction in progress	<u>145,844</u>
	9,580,107
Less accumulated depreciation	<u>2,013,352</u>
Net property and equipment	<u>\$ 7,566,755</u>

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 5. Endowed Investments:

The cost and market value of endowed investments were as follows at June 30, 2009:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	96,893	96,893
Bond funds	384,824	352,912
Equity securities	340,625	280,828
Mutual funds	<u>759,293</u>	<u>659,754</u>
	<u>\$ 1,581,635</u>	<u>\$ 1,390,387</u>

The investments held at June 30, 2009 consist of endowment contributions, earnings, and unrealized gains and losses invested with Charles Schwab Institutional and The Investment Fund for Foundations (see Note 13).

#### 6. Mortgage Payable:

The Organization's mortgage payable at June 30, 2009 of \$572,802 was payable to a bank, collateralized by real estate, and due in monthly payments of \$11,518 including interest at 2.77%. The mortgage note matures December 2013. The future maturities of the mortgage payable as of June 30, 2009 were \$123,928 in 2010, \$127,401 in 2011, \$130,972 in 2012, \$134,643 in 2013, and \$55,858 in 2014.

#### 7. Donated Food and Services Distributed:

The food and non-food products distributed by the Organization are provided from various sources including government contracts, private company and individual donations. The total pounds of product handled amounted to 10,175,477 pounds in 2009, with usable product of 9,492,863 pounds, which was distributed to approximately 550 member agencies. The distributed pounds, as valued using the methodology described in Note 2 for inventory, totaled \$14,998,723 for the year ended June 30, 2009.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### **8. Retirement Plan:**

Prior to April 1, 2009, the Organization sponsored a Simplified Employee Plan (the "Plan"). The Plan covered all eligible employees with at least two years of service who were over the age of 18 years. The contributions to the Plan were discretionary. In April 2009, the Plan was terminated and replaced with a Safe-Harbor 401(K) Plan (the "401(K) Plan") which covers all eligible employees with at least one year of service who are over the age of 18 years. The Organization currently has elected to pay a 3% match of gross income for each employee that meets the eligibility requirements. Each employee is 100% vested in the employer match immediately upon remittance. The contributions for both plans were \$188,853 in 2009.

#### **9. Commitments and Contingencies:**

The Organization leased to an unrelated party certain office space through June 30, 2009. The total rental income from this lease for year ended June 30, 2009 was \$95,129.

The Organization has an operating lease for copiers through April 2012. The lease calls for monthly payments of \$650 for copier use and maintenance.

In 2009, the Organization began to renovate its current facility for the expansion of the Community Kitchen and warehouse space. The construction is scheduled to be completed during the fiscal year ending June 30, 2010, at which time depreciation will commence. As of June 30, 2009, the Organization incurred and capitalized in construction in progress \$145,844. The estimated cost to be incurred in 2010 to complete construction of the facility is approximately \$565,000.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Such audits could also result in the grantor prohibiting future funding of such grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date or any impact from the revocation of future grant funds

#### **10. Allocation of Joint Costs:**

In 2009, the Organization incurred joint costs of \$847,042 for informational materials and activities that included fund-raising appeals. Of those costs, \$810,346 was allocated to fund-raising expense, \$29,253 was allocated to program services, and \$7,433 was allocated to management and general expense.

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 11. Line of Credit:

The Organization has a variable rate line of credit with a bank of \$100,000, expiring in December 2009. Amounts borrowed under the line of credit accrue interest at the prime rate plus 1% (4.25% at June 30, 2009). The line of credit is secured by substantially all noncash assets of the Organization, including accounts receivable, pledges receivable, investments, and equipment. There was no balance due on the line of credit at June 30, 2009.

#### 12. Endowment Funds:

There are two endowment funds at Feed More, Inc. These endowment funds were established for a variety of purposes. The endowment funds are donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:** The Board of Directors of Feed More, Inc., after professional consultation, has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

## FEED MORE, INC.

### Notes to Financial Statements, Continued

#### 12. Endowment Funds, Continued:

**Funds with Deficits:** From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the SPIMFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have any deficiencies in their endowment funds as of June 30, 2009.

**Return Objectives and Risk Parameters:** The Organization has adopted investment and spending policies for some donor-restricted endowment funds that attempt to provide a predictable stream of funding to the organizations endowed by donor-restricted funds as well as programs supported by the endowment funds of Feed More, Inc. at the direction of the Board of Directors. In addition to providing a predictable stream of funding the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the portfolio is structured to attain a rate of return consistent with a conservative, balanced portfolio management approach. This return should be sufficient to cover the Board's spending policy obligations consistent with the risk parameters in the policy.

Some donor-restricted endowment funds restrict annual distributions to net income. The Organization uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

**Strategies Employed for Achieving Objectives:** To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy:** The Organization has a policy of appropriating for distribution each year up to 5 percent of the endowment funds' average fair value, depending on annual budgetary goals. In establishing this policy, the Organization considered the long-term expected return on the endowments. Accordingly, over the long term the Organization expects the current spending policy to allow the endowments to continue to grow annually. This is consistent with objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return restrictions.

**FEED MORE, INC.**

Notes to Financial Statements, Continued

**12. Endowment Funds, Continued:**

Endowment net asset composition by type of fund was as follows at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 237,083	\$ 2,156,055	\$ 2,393,138

Changes in endowment net assets were as follows for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 510,378	\$ 2,154,055	\$ 2,664,433
Investment return (loss):				
Investment income	-	45,294	-	45,294
Unrealized loss on investments, net	-	(318,589)	-	(318,589)
Total investment return (loss)	-	(273,295)	-	(273,295)
New gifts	-	-	2,000	2,000
Net assets, end of year	\$ -	\$ 237,083	\$ 2,156,055	\$ 2,393,138

**FEED MORE, INC.**

Notes to Financial Statements, Continued

**13. Fair Value Measurements, Continued:**

Assets measured at fair value on a recurring basis at June 30, 2009, include the following:

	Fair Value Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Endowed investments:				
Money market funds	\$ 96,893	\$ -	\$ -	\$ 96,893
Bond funds	352,912	-	-	352,912
Equity securities	280,828	-	-	280,828
TIFF	263,735	85,907	48,927	398,569
Mutual funds	<u>261,185</u>	<u>-</u>	<u>-</u>	<u>261,185</u>
 Total	 <u>\$ 1,255,553</u>	 <u>\$ 85,907</u>	 <u>\$ 48,927</u>	 <u>\$ 1,390,387</u>

The table below sets forth a summary of changes in the fair value of the level 3 assets for the year ended June 30, 2009:

Balance at beginning of year	\$ 59,502
Realized loss	(1,369)
Change in unrealized depreciation	(2,543)
Net purchases (sales)	<u>(6,663)</u>
Balance at end of year	<u>\$ 48,927</u>