

the **FEED**
FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2016 and 2015

FEED FOUNDATION, INC.

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Independent Auditors' Report

Board of Directors
FEED Foundation, Inc.

We have audited the accompanying financial statements of FEED Foundation, Inc., which comprise the statements of financial position as of December 31, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors consider 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 FEED Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
November 13, 2017

FEED FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and equivalents	\$ 154,736	\$ 111,480	\$ 266,216
Contributions receivable		2,000	2,000
TOTAL ASSETS	<u>\$ 154,736</u>	<u>\$ 113,480</u>	<u>\$ 268,216</u>
LIABILITIES			
Accounts payable	\$ 17,071		\$ 17,071
Due to FEED Projects, LLC	36,000		36,000
Total Liabilities	<u>53,071</u>		<u>53,071</u>
NET ASSETS			
Unrestricted	101,665		101,665
Temporarily restricted		\$ 113,480	113,480
Total Net Assets	<u>101,665</u>	<u>113,480</u>	<u>215,145</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 154,736</u>	<u>\$ 113,480</u>	<u>\$ 268,216</u>

See accompanying notes.

2015

Unrestricted	Temporarily Restricted	Total
\$ 99,544	\$ 73,697	\$ 173,241
<u>59,197</u>	<u>53,515</u>	<u>112,712</u>
<u>\$ 158,741</u>	<u>\$ 127,212</u>	<u>\$ 285,953</u>
<u>\$ 56,000</u>		<u>\$ 56,000</u>
<u>56,000</u>		<u>56,000</u>
102,741		102,741
<u>102,741</u>	<u>\$ 127,212</u>	<u>127,212</u>
<u>102,741</u>	<u>127,212</u>	<u>229,953</u>
<u>\$ 158,741</u>	<u>\$ 127,212</u>	<u>\$ 285,953</u>

FEED FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 55,323	\$ 162,115	\$ 217,438
Interest income	86		86
	<u>55,409</u>	<u>162,115</u>	<u>217,524</u>
Net assets released from restrictions	175,847	(175,847)	
Total Revenue and Support	<u>231,256</u>	<u>(13,732)</u>	<u>217,524</u>
EXPENSES			
Programs	162,543		162,543
Management and general	35,006		35,006
Fundraising	34,783		34,783
Total Expenses	<u>232,332</u>		<u>232,332</u>
INCREASE (DECREASE) IN NET ASSETS	(1,076)	(13,732)	(14,808)
NET ASSETS			
Beginning of Year	<u>102,741</u>	<u>127,212</u>	<u>229,953</u>
End of Year	<u>\$ 101,665</u>	<u>\$ 113,480</u>	<u>\$ 215,145</u>

See accompanying notes.

2015

Unrestricted	Temporarily Restricted	Total
\$ 176,269	\$ 424,481	\$ 600,750
165		165
<u>176,434</u>	<u>424,481</u>	<u>600,915</u>
371,142	(371,142)	
<u>547,576</u>	<u>53,339</u>	<u>600,915</u>
377,313		377,313
45,012		45,012
29,201		29,201
<u>451,526</u>		<u>451,526</u>
96,050	53,339	149,389
<u>6,691</u>	<u>73,873</u>	<u>80,564</u>
<u>\$ 102,741</u>	<u>\$ 127,212</u>	<u>\$ 229,953</u>

FEED FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	Program		Management and General		Fundraising		Total Expenses	
	2016	2015	2016	2015	2016	2015	2016	2015
EXPENSES								
Donations	\$ 150,112	\$ 357,720					\$ 150,112	\$ 357,720
Rent	4,000	2,000	\$ 4,000	\$ 2,000	\$ 4,000	\$ 2,000	12,000	6,000
Professional fees	8,000	16,667	30,876	42,849	8,000	16,667	46,876	76,183
Events					1,570	4,546	1,570	4,546
Dues and subscriptions	391	490	130	163			521	653
Website					21,213	5,988	21,213	5,988
Miscellaneous	40	436					40	436
TOTAL EXPENSES	<u>\$ 162,543</u>	<u>\$ 377,313</u>	<u>\$ 35,006</u>	<u>\$ 45,012</u>	<u>\$ 34,783</u>	<u>\$ 29,201</u>	<u>\$ 232,332</u>	<u>\$ 451,526</u>

See accompanying notes.

FEED FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (14,808)	\$ 149,389
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
(Increase) decrease in certain assets:		
Contributions receivable	110,712	(86,227)
Increase (decrease) in certain liabilities:		
Accounts payable	17,071	(889)
Due to FEED Projects, LLC	<u>(20,000)</u>	<u>50,000</u>
Net Cash Provided by Operating Activities	<u>92,975</u>	<u>112,273</u>
NET INCREASE IN CASH AND EQUIVALENTS	92,975	112,273
CASH AND EQUIVALENTS		
Beginning of Year	<u>173,241</u>	<u>60,968</u>
End of Year	<u><u>\$ 266,216</u></u>	<u><u>\$ 173,241</u></u>

See accompanying notes.

FEED FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FEED Foundation, Inc. (the Foundation) was incorporated in 2008 under the laws of the State of New York, as a nonprofit organization. The Foundation was organized to support programs and organizations that are effectively working to fight hunger and eliminate malnutrition throughout the world.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Net Assets are classified as unrestricted, temporarily restricted or permanently restricted based on specific donor restrictions. The Foundation has no permanently restricted net assets as of December 31, 2016 and 2015.

- **Unrestricted Net Assets** include all assets over which the Foundation's governing board has full discretion as to use and which are available for support of the Foundation's operations.
- **Temporarily Restricted Net Assets** include net assets whose use by the Foundation's governing board is limited by donor-imposed stipulations that will be met by action of the Foundation and/or the passage of time. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. These net asset categories include:

Run 10, FEED 10 represents contributions received to provide meals and/or better nutrition education to children and families across the United States of America.

FEED NYC represents contributions received to support organizations providing emergency meals to people in the hardest-hit areas of New York City and those devastated by Hurricane Sandy.

WFP School Feeding represents contributions received to support the World Food Program's efforts to provide nutritious school meals to children in 62 countries.

FEED Supper represents contributions received to provide meals and/or better nutrition education to children and families across the United States of America and to support the World Food Program's efforts to provide nutritious school meals to children in 62 countries.

Cash and Equivalents include all cash and short-term investments with original maturities of three months or less. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable represent the remaining balance of unconditional promises to give that have not yet been received. Contributions that are expected to be collected within one year or less are recorded at net realizable value. All contributions receivable at December 31, 2016 and 2015 are due within one year or less.

The allowance for uncollectible contributions is determined by management based on the Foundation's past experience, specific donor circumstances, and payment history. Periodically, management reviews contributions receivable and records an allowance based on current circumstances, and charges off receivables against the allowance when all attempts to collect the receivables are deemed to have failed in accordance with the Foundation's collection policy.

Approximately 76% of the contributions receivable balance at December 31, 2015 was due from three contributors.

Revenue and Support: Grants and contributions are recognized as revenue during the year in which they are awarded or pledged. Such revenue is recorded as unrestricted, temporarily restricted or permanently restricted as designated by the grantor or donor. 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.

Two grantors contributed 17% and 14% of the Foundation's total revenue and support for 2016 and 2015, respectively.

Donated Services that require specialized skills and which would typically need to be purchased if not provided by donation are recorded as contributions and expenses in the accompanying financial statements at their estimated fair values. Donated services totaling \$4,169 in 2016 and \$10,535 in 2015 have been reflected in the financial statements.

Functional Allocation of Expenses: The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Tax Status: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015.

The Foundation files U.S. federal and State of New York information tax returns. The Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

Subsequent Events: The Foundation has evaluated the financial statements for subsequent events occurring through November 13, 2017, the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

FEED Projects, LLC (the Project) creates products that help feed the world by building a set donation into the cost of each product. The Foundation and Project are not under common control; therefore, the accounts of the Project have not been consolidated with the Foundation in the accompanying financial statements. The Project provides certain employee and office services to the Foundation, and the Foundation reimburses the Project for its allocable share of the costs. At December 31, 2016 and 2015, the Foundation owed the Project \$24,000 and \$50,000 related to these reimbursable costs, respectively.

The Foundation currently rents its office space on a month-to-month basis from the Project for the use of space in the New York headquarters building. The Foundation expensed \$12,000 and \$6,000 for this lease for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Foundation owed the Project \$12,000 and \$6,000 related to the lease, respectively.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Foundation has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Foundation makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodology used by the Foundation for assets that are measured at fair value on a recurring basis. There have been no changes in the methodology used at December 31, 2016 and 2015.

Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2016 and 2015:

2016	Level 1	Total
Assets		
Cash equivalents:		
Money market fund shares	<u>\$66,556</u>	<u>\$66,556</u>
2015		
Assets		
Cash equivalents:		
Money market fund shares	<u>\$28,205</u>	<u>\$28,205</u>

At December 31, 2016 and 2015, the Foundation had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Use restriction:		
WFP School Feeding	\$111,480	\$112,212
FEED Supper	<u>2,000</u>	<u>15,000</u>
 Total Temporarily Restricted Net Assets	 <u>\$113,480</u>	 <u>\$127,212</u>

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors were comprised of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Run 10, FEED 10	\$ 40,619	\$ 87,141
WFP School Feeding	2,000	22,509
FEED Supper	133,228	250,383
FEED NYC		10,388
Other	<u> </u>	<u>721</u>
 Total Net Assets Released from Restrictions	 <u>\$175,847</u>	 <u>\$371,142</u>