

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2017
With Comparative Totals for 2016***

Rise Against Hunger, Inc.

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Independent Auditor's Report

To the Board of Directors
Rise Against Hunger, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Rise Against Hunger, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2017, and the related Statement of Activities, Functional Expenses, and Cash Flows for the year 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 auditor's 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 Rise Against Hunger, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rise Against Hunger, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Elliott Davis PLLC".

Raleigh, North Carolina
April 18, 2018

Rise Against Hunger, Inc.
Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,634,984	\$ 6,623,905
Contributions receivable	267,856	430,522
Accounts receivable	631,418	513,799
Other receivables	206,280	104,524
Inventory		
Purchased	715,211	702,103
Donated	55,202	85,255
Prepaid expenses	425,815	159,692
Total current assets	<u>8,936,766</u>	<u>8,619,800</u>
Property and equipment, net	337,016	344,977
Other assets		
Deposits	80,505	75,155
Total assets	<u>\$ 9,354,287</u>	<u>\$ 9,039,932</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,091,605	\$ 1,514,812
Accrued expenses	334,083	274,948
Deferred revenue	1,532,723	1,113,692
Lease payable	40,426	50,168
Notes payable	5,690	5,151
Deferred rent	9,397	14,883
Total current liabilities	<u>4,013,924</u>	<u>2,973,654</u>
Long-term liabilities		
Non-current portion of lease payable	6,785	47,312
Non-current portion of notes payable	2,620	8,019
Non-current portion of deferred rent	100,959	26,748
Total long-term liabilities	<u>110,364</u>	<u>82,079</u>
Total liabilities	<u>4,124,288</u>	<u>3,055,733</u>
Net assets		
Unrestricted	4,971,881	5,694,272
Temporarily restricted	258,118	289,927
Total net assets	<u>5,229,999</u>	<u>5,984,199</u>
Total liabilities and net assets	<u>\$ 9,354,287</u>	<u>\$ 9,039,932</u>

See Notes to Financial Statements.

Rise Against Hunger, Inc.**Statements of Activities****For the year ended December 31, 2017 with summarized financial information for the year ended December 31, 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Meal packaging Income	\$ 17,836,709	-	17,836,709	16,371,885
Grants and contributions	4,572,876	\$ 317,441	\$ 4,890,317	\$ 4,888,118
Donated inventory	26,096,486	-	26,096,486	17,391,953
Donated rent	126,720	-	126,720	126,720
Donated services	400	-	400	22,677
Sales revenue	35,651	-	35,651	64,234
Interest and dividends	22,942	-	22,942	1,640
Loss on sale of equipment	(6,364)	-	(6,364)	(6,622)
Net assets released from restrictions	349,250	(349,250)	-	-
Total support and revenues	49,034,670	(31,809)	49,002,861	38,860,605
Expenses:				
Program services	43,433,308	-	43,433,308	32,217,630
Management and general	4,819,367	-	4,819,367	4,394,859
Fundraising activities	1,504,386	-	1,504,386	1,437,624
Total expenses	49,757,061	-	49,757,061	38,050,113
Changes in net assets	(722,391)	(31,809)	(754,200)	810,492
Net assets at beginning of year	5,694,272	289,927	5,984,199	5,173,707
Net assets at end of year	\$ 4,971,881	\$ 258,118	\$ 5,229,999	\$ 5,984,199

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2017 with summarized financial information for the year ended December 31, 2016**

	2017			2016	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 7,871,125	\$ -	\$ -	\$ 7,871,125	\$ 6,786,263
Grants to others	26,206,222	-	-	26,206,222	17,697,375
Program services - other	509,331	-	-	509,331	318,295
Salaries	4,975,282	1,850,973	763,656	7,589,911	6,418,819
Payroll taxes and benefits	1,125,732	405,572	155,639	1,686,943	1,474,745
Retirement	83,105	31,514	15,142	129,761	231,207
Rent	1,179,629	194,151	-	1,373,780	1,225,878
Printing and reproduction	57,890	132,706	25,465	216,061	60,631
Marketing, public relations and advertising	-	71,918	8,844	80,762	54,237
Bank service charges	-	65,889	-	65,889	78,590
Depreciation	85,852	47,178	-	133,030	116,490
Dues and subscriptions	15,834	35,332	5,285	56,451	54,042
Insurance	-	415,693	-	415,693	219,701
Professional fees	460,264	738,811	322,037	1,521,112	1,593,546
Office supplies	80,078	34,870	6,885	121,833	121,854
Licenses and permits	849	15,680	-	16,529	13,633
Repairs and maintenance	76,755	4,137	-	80,892	62,003
Telephone and internet	-	18,547	-	18,547	26,026
Travel	626,026	184,513	168,138	978,677	875,893
Meetings and training	56,555	206,755	15,927	279,237	175,841
Postage	17,747	16,886	11,082	45,715	47,268
Information technology	5,032	348,242	6,286	359,560	397,776
Total Expenses	<u>\$ 43,433,308</u>	<u>\$ 4,819,367</u>	<u>\$ 1,504,386</u>	<u>\$ 49,757,061</u>	<u>\$ 38,050,113</u>

Rise Against Hunger, Inc.**Statements of Cash Flows****For the years ended December 31, 2017 and 2016**

	2017	2016
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (754,200)	\$ 810,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	133,030	116,490
Loss on disposal of equipment	6,364	6,622
Donated inventory	(26,096,486)	(17,391,953)
Distributed donated inventory	26,126,539	17,626,629
(Increase) decrease in assets:		
Grants and contributions receivable	162,666	(325,992)
Accounts receivable	(117,619)	(4,135)
Purchased inventory	(13,108)	(81,169)
Prepaid expenses	(266,123)	60,109
Other receivables	(101,756)	(8,587)
Deposits	(5,350)	(14,556)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	635,928	553,411
Deferred rent	68,725	(19,174)
Deferred revenue	419,031	71,499
Net cash provided by operating activities	<u>197,641</u>	<u>1,399,686</u>
<i>Cash flows from investing activities:</i>		
Proceeds from sale of equipment	7,500	580
Purchases of equipment	(138,933)	(172,978)
Net cash used in investing activities	<u>(131,433)</u>	<u>(172,398)</u>
<i>Cash flows from financing activities:</i>		
Repayments on notes payable	(4,860)	(4,836)
Repayments on capital lease obligations	(50,269)	(44,553)
Net cash used in financing activities	<u>(55,129)</u>	<u>(49,389)</u>
Net increase in cash and cash equivalents	11,079	1,177,899
<i>Cash and cash equivalents at beginning of the year</i>	6,623,905	5,446,006
<i>Cash and cash equivalents at end of the year</i>	<u>\$ 6,634,984</u>	<u>\$ 6,623,905</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid during year for interest	<u>\$ 4,000</u>	<u>\$ 6,812</u>
<i>Noncash investing and financing transactions:</i>		
Acquisition of equipment by capital lease	<u>\$ -</u>	<u>\$ 23,606</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies

Nature of activities:

Rise Against Hunger, Inc. (the Organization) is a non-profit international hunger relief organization that is driven by a vision of a world without hunger, and a mission to end hunger in our lifetime by providing food and life-changing aid to the world's most vulnerable and by creating a global commitment to mobilize the necessary resources.

Mission in action:

The Organization accomplishes its mission by distributing nutritious meals to recipients around the world, involving volunteers around the world in the movement to end hunger through its meal packaging program, procuring and donating in-kind aid that is distributed to those in need, and providing funding and technical support for projects that support sustainable community development and build capacity among partner organizations.

The Organization's popular community-supported meal packaging events are ideal for corporate social responsibility or volunteer service projects for community leaders and volunteers from local corporations, faith congregations, schools, colleges and universities, and civic organizations who package high-protein, highly nutritious meals.

The movement to end hunger:

The Organization is expanding its meal packaging program to further the movement to end hunger, which will not grow without reaching more people who want to make a difference, engaging them in hands-on service and empowering them to do more.

The Organization has engaged people around the world to end hunger through the formation of independent non-governmental organization ("NGO") affiliates. In 2017, Rise Against Hunger had affiliates in South Africa, Italy, the Philippines, Malaysia, India and Peru. Organization affiliates have access to Rise Against Hunger know-how, branding, and operational support.

In addition to being incorporated locally, international affiliates are managed by local Boards of Directors and local employees, utilize locally procured ingredients for the meal packaging program, and are supported primarily through local contributions and volunteer support.

Additional forms of aid:

The Organization also sends essential aid appropriate for hospitals and clinics in impoverished communities, school and orphanage feeding programs, and disaster relief to supplement the meal donations to partners in developing countries. Donated products include medicine, medical supplies, equipment, soap, and vitamins that can prevent the spread of disease and greatly improve the lives of those receiving them. The Organization receives these essential supplies through bulk donations of new goods from corporations, the United States Agency for International Development (USAID), charitable partners and private donors. In 2017, the Organization shipped more than \$26.2 million of in-kind aid, primarily in the form of vitamins and medical supplies.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Additional forms of aid, continued:

Many disadvantaged people throughout the world struggle with food insecurity due to limited local government support, growing populations and poor agricultural production. The Organization is dedicated to creating long-term impact by implementing sustainable development programs in the poorest communities. The Organization's strategies focus on agriculture, health and nutrition and vocational education opportunities.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net assets:

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Cash and cash equivalents:

The Organization considers all interest bearing investments due on demand and all debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risks:

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Interest-bearing amounts on deposit in excess of federally insured limits as of December 31, 2017 and 2016 were \$4,447,681 and \$5,594,113, respectively.

The Organization's meal packaging program produces individual meals consisting of rice, soy, dried vegetables, flavoring, and 21 essential vitamins and minerals. These raw materials are subject to global commodity price fluctuations. The Organization's ability to maintain or expand its meal packaging program is dependent upon the Organization's ability to provide these raw materials at economically favorable prices.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Concentration of credit risks, continued:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables. The Organization's trade receivables consist primarily of amounts due from business entities as well as religious and civic organizations. As of December 31, 2017, 62% of trade receivables pertained to business entities and 28% related to religious and civic organizations. As of December 31, 2016, 56% of trade receivables pertained to business entities and 26% related to religious and civic organizations. The following table represents donors representing a large portion of accounts receivable at December 31, 2017 and 2016.

<u>Customer</u>	<u>2017 Accounts Receivable</u>	<u>2016 Accounts Receivable</u>
A	13.4%	-

Contributions:

In accordance with applicable accounting standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Revenue is recognized when earned and support when contributions are made, which may be when cash is collected, unconditional promises are made, or ownership of donated assets is transferred to the Organization. Gifts-in-kind (including inventory, property, and equipment) are recorded at fair value at the date of the gift.

Deferred revenue represents revenues received in advance of meal packaging events. These revenues are recognized once the meal packaging event has occurred.

Contributions other than gifts-in-kind are primarily cash contributions that are derived from ongoing fundraising. All contributions are considered to be available for unrestricted use unless specifically designated by the donor.

Donated inventory (consisting of medicines, medical supplies, and other supplies) is recorded as inventory and contribution revenue at its estimated fair value at the date received, taking into consideration inventory condition and utility for use. All donated inventory is received from private organizations and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used in the Organization's programs.

The Organization determines estimated fair value in accordance with fair value measurement accounting standards.

In general, the Organization values donated medicine and supplies at its estimated fair value based on third party published data including the Wholesale Acquisition Cost (WAC), which is representative of fair market value and recognized as industry standard.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Donated services:

Donated services are recognized as contributions in accordance with applicable accounting standards if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services. The financial statements do not recognize the value of these donated services as such services do not meet the recognition requirements under applicable accounting standards.

Donated assets:

Donated marketable securities and other non-cash donations, including property and equipment, are recorded as contributions at their estimated fair values at the date of donation.

Accounts receivable and allowance for doubtful accounts:

Accounts receivable reflected on the Statement of Financial Position are expected to be received within one year and are generated from meal packaging events. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary as of December 31, 2017 and 2016.

Inventory:

Inventories primarily consist of raw materials used in conjunction with the Organization's meal packaging program and donated in-kind supplies. Meal packaging inventories are valued at the lower of cost (first-in, first-out) or market.

In-kind donations are recorded and carried in inventory at their estimated fair market value at date of donation.

As of December 31, 2017 and 2016, management has determined that no allowance for obsolete inventory is required.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Property and equipment:

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at date of donation.

Depreciation of property and equipment is provided for on the straight-line method over the following useful lives:

Office furniture and equipment	3-5 years
Warehouse equipment	5-10 years
Leasehold improvements	2-5 years

Functional allocation of expenses:

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Certain costs, including salaries, rent, and depreciation, have been allocated based upon estimates made by the Organization's management.

Management and general: Expenditures that are not identifiable with a single program or fundraising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting and related purposes.

Allocation of joint costs: Expenditures benefiting more than one purpose were allocated as follows:

- A. *Personnel costs:* Direct allocation based on employee time cards.
- B. *Other costs:* Other costs including occupancy costs, supplies and materials, and communication costs were indirectly allocated based on estimates of utilization.

Restricted and unrestricted support and revenue:

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Shipping costs:

The Organization incurs shipping and handling costs when transporting the packaged meals overseas. The Organization's shipping and handling costs are substantially paid by the Organization's impact partners, the remainder is included in program services expense.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Accounting estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income tax status:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Applicable accounting standards prescribe a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under these standards, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Organization did not have any unrecognized tax benefits and there was no effect on its financial condition or results of operations as a result of adopting these standards.

The tax years from 2014 through 2017, are subject to examination by the Internal Revenue Service. The Organization is currently not under any federal or state audits. There were no interest or penalties for the years ended and the Organization's policy is to expense interest and penalties, if any, to income tax expense as incurred. The Organization does not expect any material changes in unrecognized tax benefits in the next twelve months. The Organization has no unrecognized tax benefits as of December 31, 2017 and 2016.

Reclassifications:

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Prior year summarized information:

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Activities and Significant Policies, Continued

Recently issued accounting standards

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2016, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Organization for reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Organization plans to apply the guidance using a modified retrospective approach. The Organization does not expect these amendments to have a material effect on its financial statements.

In July 2016, the FASB issued amendments to the Inventory topic of the Accounting Standards Codification to require inventory to be measured at the lower of cost and net realizable value. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory, there are no other substantive changes to the guidance on measurement of inventory. The amendments will be effective for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2017, with early adoption permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The Organization does not expect these amendments to have a material effect on its financial statements.

In February 2017, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2017, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Date of management's review:

Subsequent events have been evaluated through April 18, 2018, which is the date the financial statements were available to be issued.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 2. Commitments

In the year ended December 31, 2017, Rise Against Hunger entered into multi-element contract with a large corporation totaling \$1.2 million. Rise Against Hunger has identifiable performance obligations to complete in order to earn the funds. Of these funds, \$1 million will be received over a three year period. The Organization will defer the revenue upon receipt of the funds until the performance obligations have been complete. The remaining \$200,000 consists of travel vouchers that management can request at any time. The revenue associated with the vouchers will be recognized at the time the vouchers are requested. As of December 31, 2017, \$200,000 had been received by the Organization, of this amount \$29,336 was recognized as revenue. Additionally, no meal vouchers had been requested during the year ended December 31, 2017. The remaining \$800,000 of funds, which does not include the travel vouchers, will be received as follows:

Year ending December 31,		Funds from exchange transaction
2018	\$	133,334
2019		333,333
2020		333,333
Total	\$	<u>800,000</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2017	2016
Office furniture and equipment	\$ 226,761	\$ 203,716
Warehouse equipment	470,766	528,375
Leasehold improvements	133,144	85,235
Total fixed assets	830,671	817,326
Less accumulated depreciation	493,655	472,349
	<u>\$ 337,016</u>	<u>\$ 344,977</u>

Depreciation charged to operations was \$133,030 and \$116,490 in 2017 and 2016, respectively.

Note 4. Operating Leases

The Organization leases its office facility and warehouse space in which it operates its meal packaging operations. Future minimum lease payments under the leases are as follows:

Year ending December 31,		Amount
2018	\$	874,479
2019		597,990
2020		350,847
2021		275,915
2022		205,822
Thereafter		212,010
	\$	<u>2,517,063</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4. Operating Leases, continued

Rent expense for the years ended December 30, 2017 and December 31, 2016 was \$1,373,780 and \$1,225,878, respectively. Warehouse and office rent expense comprises \$1,062,702 and \$975,292 of the total rent expense as December 30, 2017 and December 31, 2016, respectively. In-kind rent expense was \$126,720 at December 30, 2017 and 2016.

Note 5. Capital Lease Obligations

Certain warehouse equipment to support the meal packaging programs was obtained under capital leases. The leased equipment held under capital leases had a cost of \$189,297 and \$164,294 as of December 31, 2017 and 2016. Accumulated depreciation related to these assets was \$99,889 and \$65,373 as of December 31, 2017 and 2016, respectively. Total depreciation charged to operations in regards to these leases was \$34,516 and \$34,516 in 2017 and 2016, respectively. Interest expense for the years ended December 31, 2017 and 2016 was \$2,097 and \$4,076, respectively.

Future minimum lease payments under capital leases as of December 31, 2017 are expected to be as follows:

Year ending December 31,	Amount
2018	\$ 41,542
2019	6,822
Total minimum lease payments	48,364
Less: amount representing interest	1,153
Present value of minimum lease payment	47,211
Less: current portion	40,426
Non-current portion	\$ 6,785

Note 6. Note Payable

The Organization has a note payable with monthly principal and interest payments of \$481, which includes interest at an annual rate of 5.75%. This note matures in June 2019 and is collateralized by a vehicle. Future maturities of notes payable are expected to be as follows:

Year ending December 31,	Amount
2018	\$ 5,690
2019	2,620
Total	8,310
Less: current portion	5,690
Non-current portion	\$ 2,620

Note 7. Line of Credit

In September 2017, the Organization renewed an agreement with a financial institution for a line of credit up to \$300,000 bearing interest at the greater of a floating rate equal to the Prime Rate (4.25% as of December 31, 2017) plus 0.750% or the Floor Rate (5.00%) and is secured by equipment, inventory, accounts receivable, and other rights to payment. The Organization had no outstanding balance as of December 31, 2017 and 2016.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 8. Other Credit

Revolving Credit Cards

The Organization has revolving credit card relationships with two national financial institutions. Total aggregate credit available under these relationships was \$520,000 as of December 31, 2017. \$221,829 and \$120,153 was outstanding under these relationships as of December 31, 2017 and 2016, respectively, which is included in accounts payable in the accompanying financial statements.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Nepal Earthquake	\$ -	\$ 32,351
African Famine 2011/Southern Sudan/Old Fangak	-	67,761
Emergency Relief Funding	40,038	41,628
WASH fund	18,080	120,404
Vita Mamba	-	27,783
	<u>\$ 58,118</u>	<u>\$ 289,927</u>

The following is a summary of net assets which were released from donor restrictions by incurring expenses which satisfied the donor specified restrictions for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Nepal Earthquake	\$ 32,501	\$ 735
African Famine 2011/Southern Sudan/Old Fangak	70,998	-
Emergency Relief Funding	71,900	-
WASH fund	146,068	-
Vita Mamba	27,783	42,217
	<u>\$ 349,250</u>	<u>\$ 42,952</u>

Rise Against Hunger, Inc.

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Note 10. Gifts-in-Kind

The Organization receives donations of food, medicine, and supplies for use in relief and development programs. The Organization ships all such gifts-in-kind either directly to in-country partners or to similar non-profit organizations for ultimate distribution. As soon as feasible following transfer of title to the Organization, these in-kind contributions are shipped to third parties in support of international relief efforts.

In accordance with U.S. generally accepted accounting principles, the Organization only records the value of gifts-in-kind for which it receives and exercises variance power, which is the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

During 2017 and 2016, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	2017	2016
Donated inventory, beginning	\$ 85,255	\$ 319,931
Gift-in-kind inventory donations	26,096,486	17,391,953
Gift-in-kind inventory distributed	(26,126,539)	(17,626,629)
Donated inventory, ending	<u>\$ 55,202</u>	<u>\$ 85,255</u>

Note 11. Retirement Plan

The Organization maintains a simplified employee pension plan for the benefit of all its employees who are over age 21 and have completed one year of service. The amount of the contribution to the plan is determined annually by the Board of Directors. The amount of employer contributions included in these financial statements for the years ended December 31, 2017 and 2016 was \$129,761 and \$231,207, respectively.

Note 12. Marketing, Public Relations and Advertising

The Organization used brochures, posters and press releases to promote its programs among the audience it serves. The costs of these promotional materials are expensed the first time the promotion takes place. During the years ended December 31, 2017 and 2016, marketing, public relations and advertising expense was \$80,762 and \$54,237, respectively.

Note 13. Subsequent Events

The Organization has evaluated subsequent events through April 18, 2018, the date which the consolidated financial statements were available to be issued. No significant subsequent events have been identified by management.