

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2019
With Comparative Totals for 2018***

Rise Against Hunger, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-19

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 Statements of Financial Position as of December 31, 2019, and the related Statements 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Elliott Davis, PLLC

Raleigh, North Carolina
June 9, 2020

Rise Against Hunger, Inc.**Statements of Financial Position****As of December 31, 2019 with summarized financial information for the year ended December 31, 2018**

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 3,811,002	\$ 5,017,330
Contributions receivable	493,249	621,850
Contributions receivable - related party	10,207	14,559
Accounts receivable	973,869	719,473
Other receivables	441,093	190,979
Inventory		
Purchased	518,015	588,991
Donated	43,250	118,638
Prepaid expenses	365,155	362,629
Total current assets	<u>6,655,840</u>	<u>7,634,449</u>
Property and equipment, net	1,418,144	533,446
Other assets		
Deposits	98,688	92,242
Non-current portion of contributions receivable	-	266,667
Non-current portion of contributions receivable - related party	41,317	57,403
Total assets	<u>\$ 8,213,989</u>	<u>\$ 8,584,207</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,738,176	\$ 2,351,876
Accrued expenses	577,320	616,596
Deferred revenue	1,113,730	1,530,604
Lease payable	158,609	34,061
Note payable	-	2,874
Deferred rent	-	12,041
Total current liabilities	<u>3,587,835</u>	<u>4,548,052</u>
Long-term liabilities		
Non-current portion of lease payable	983,573	229,797
Non-current portion of deferred rent	164,412	95,534
Total long-term liabilities	<u>1,147,985</u>	<u>325,331</u>
Total liabilities	<u>4,735,820</u>	<u>4,873,383</u>
Net assets		
Without donor restrictions	2,984,314	2,935,764
With donor restrictions	493,855	775,060
Total net assets	<u>3,478,169</u>	<u>3,710,824</u>
Total liabilities and net assets	<u>\$ 8,213,989</u>	<u>\$ 8,584,207</u>

Rise Against Hunger, Inc.**Statements of Activities****For the year ended December 31, 2019 with summarized financial information for the year ended December 31, 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Meal packaging income	\$ 19,750,675	\$ -	\$ 19,750,675	\$ 18,959,621
Grants and contributions	6,215,387	88,179	6,303,566	6,428,168
Donated inventory	35,986,452	-	35,986,452	33,648,478
Donated rent	126,720	-	126,720	126,720
Donated services	118,357	-	118,357	80,516
Sales revenue	25,532	-	25,532	28,710
Interest and dividends	40,496	-	40,496	30,622
Gain (Loss) on sale of equipment	1,717	-	1,717	(3,674)
Net assets released from restrictions	369,384	(369,384)	-	-
Total support and revenues	62,634,720	(281,205)	62,353,515	59,299,161
Expenses:				
Program services	56,745,237	-	56,745,237	53,890,940
Management and general	4,368,537	-	4,368,537	5,279,267
Fundraising activities	1,472,396	-	1,472,396	1,648,129
Total expenses	62,586,170	-	62,586,170	60,818,336
Changes in net assets	48,550	(281,205)	(232,655)	(1,519,175)
Net assets at beginning of year	2,935,764	775,060	3,710,824	5,229,999
Net assets at end of year	<u>\$ 2,984,314</u>	<u>\$ 493,855</u>	<u>\$ 3,478,169</u>	<u>\$ 3,710,824</u>

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2019 with summarized financial information for the year ended December 31, 2018**

	2019			2018	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 7,073,959	\$ -	\$ -	\$ 7,073,959	\$ 9,573,715
Grants to others	245,261	-	-	245,261	315,897
Distributed donated inventory	36,061,840	-	-	36,061,840	33,585,042
International meals - affiliates	2,745,481	-	-	2,745,481	-
Program services - other	361,651	-	-	361,651	405,880
Salaries	6,219,078	1,708,889	912,666	8,840,633	8,816,685
Payroll taxes and benefits	1,182,669	364,357	154,287	1,701,313	1,852,922
Rent	1,480,212	185,354	-	1,665,566	1,484,211
Printing and reproduction	38,101	48,712	11,295	98,108	200,117
Marketing, public relations and advertising	-	108,134	57,488	165,622	295,701
Bank service charges and interest	77,700	109,215	-	186,915	85,930
Depreciation	257,713	52,293	-	310,006	152,772
Dues and subscriptions	11,839	38,388	175	50,402	70,584
Insurance	-	342,009	-	342,009	352,390
Professional fees	266,837	824,072	200,247	1,291,156	1,567,252
Office supplies	88,210	13,092	2,016	103,318	119,732
Licenses and permits	5,959	(425)	-	5,534	4,154
Repairs and maintenance	92,748	4,756	-	97,504	94,094
Telephone and internet	-	23,404	-	23,404	22,270
Travel	470,965	67,160	104,764	642,889	1,068,228
Meetings and training	392	123,003	1,855	125,250	240,390
Postage	23,176	6,235	20,974	50,385	58,965
Information technology	41,446	349,889	6,629	397,964	451,405
Total expenses	<u>\$ 56,745,237</u>	<u>\$ 4,368,537</u>	<u>\$ 1,472,396</u>	<u>\$ 62,586,170</u>	<u>\$ 60,818,336</u>

Rise Against Hunger, Inc.**Statements of Cash Flows****For the years ended December 31, 2019 with summarized financial information for the year ended December 31, 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (232,655)	\$ (1,519,175)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	310,006	152,772
Loss (Gain) on sale/disposal of equipment	(1,717)	3,674
Donated inventory	(35,986,452)	(33,648,478)
Distributed donated inventory	36,061,840	33,585,042
(Increase) decrease in assets:		
Promises to give	395,268	(620,661)
Promises to give - related party	20,438	(71,962)
Accounts receivable	(254,396)	(88,055)
Purchased inventory	70,976	126,220
Prepaid expenses	(2,526)	63,186
Other receivables	(250,114)	15,301
Deposits	(6,446)	(11,737)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(652,976)	542,784
Deferred rent	56,837	(2,781)
Deferred revenue	(416,874)	(2,119)
Net cash used in operating activities	<u>(888,791)</u>	<u>(1,475,989)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	2,414	25,549
Purchases of equipment	(175,096)	(115,484)
Net cash used in investing activities	<u>(172,682)</u>	<u>(89,935)</u>
Cash flows from financing activities:		
Repayments on note payable	(2,874)	(5,436)
Repayments on capital lease obligations	(141,981)	(46,294)
Net cash used in financing activities	<u>(144,855)</u>	<u>(51,730)</u>
Net decrease in cash and cash equivalents	(1,206,328)	(1,617,654)
Cash and cash equivalents at beginning of the year	5,017,330	6,634,984
Cash and cash equivalents at end of the year	<u>\$ 3,811,002</u>	<u>\$ 5,017,330</u>
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	<u>\$ 2,624</u>	<u>\$ 1,746</u>
Noncash investing and financing transactions:		
Acquisition of equipment by capital lease	<u>\$ 1,020,306</u>	<u>\$ 262,941</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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 impact 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 2019, Rise Against Hunger had affiliates in South Africa, Italy, the Philippines, Malaysia and India. Organization affiliates have access to Rise Against Hunger knowhow, 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, charitable partners and private donors.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

Additional forms of aid, continued:

In 2019, the Organization shipped more than \$26.8 million of in-kind aid, primarily in the form of vitamins and medical supplies. 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 vulnerable 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:

The Organization's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition:

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Meal packaging revenue is recognized once an event has been supplied and hosted by the Organization.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

Revenue recognition, continued:

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.

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.

All revenues accounted for under ASU 606 are recognized at a point in time.

Contract Liabilities

The following table presents the beginning and ending balances of contract liabilities (deferred revenue) as of December 31:

	<u>2019</u>	<u>2018</u>
Contract Liabilities beginning as of January 1	\$ 1,530,604	\$ 1,532,723
Revenue recognized for performance obligations completed during the year	(7,970,471)	(7,614,253)
Revenues deferred until performance obligations are completed	<u>7,553,597</u>	<u>7,612,134</u>
Contract liabilities as of December 31	<u>\$ 1,113,730</u>	<u>\$ 1,530,604</u>

Contributions receivable:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. Management has deemed all amounts fully collectible, and has not established an allowance.

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.

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 2019 and 2018 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

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, 2019 and 2018 were \$2,654,585 and \$3,073,204, respectively.

Concentration of credit risks, continued:

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.

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, 2019, 52% of trade receivables pertained to business entities and 39% related to religious and civic organizations. As of December 31, 2018, 55% of trade receivables pertained to business entities and 29% related to religious and civic organizations. The following table represents donors representing a large portion of accounts receivable at December 31, 2019 and 2018.

<u>Donor</u>	<u>2019</u> <u>Accounts</u> <u>Receivable</u>	<u>2018</u> <u>Accounts</u> <u>Receivable</u>
A	11.2%	0%

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

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

Accounts receivable and allowance for doubtful accounts, continued:

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, 2019 and 2018.

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, 2019 and 2018, management has determined that no allowance for obsolete inventory is required.

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 and vehicles	5-10 years
Leasehold improvements	2-5 years

Deferred Rent

The Organization records rent expense on leases which contain rent escalations on a straight-line basis over the lease term. Amounts expensed in excess of the actual payments are recorded as a deferred rent liability on the accompanying balance sheets.

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, 2019 and 2018

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 2016 through 2019, 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, 2019 and 2018.

Reclassifications:

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 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, 2018, from which the summarized information was derived.

Expense allocation:

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

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

Expense allocation, continued:

Expenses of the Organization include:

Program service expenses - Program expenses include: meal packaging expenses, global impact services, and emergency relief projects.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of the Organization.

Fundraising activities expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries, taxes, and benefits	Time and effort
Contract services	Time and effort
Rent	Warehouses to programs; office to management/general
Marketing, public relations, and advertising	Fundraising related to fundraising; remaining to management/general
Meetings and trainings	Cultivation events and impact trips to Fundraising; organizational retreat to management/general, remaining by salary allocation
Professional fees	Direct costs to programs; fundraising related to fundraising; remaining to management/general
Depreciation	Allocated by use between programs, fundraising, and management/general
Repairs and maintenance	Allocated by use between programs, fundraising and management/general
Miscellaneous	Direct costs to programs; remaining allocated by use to fundraising and management/general.
Office supplies	Direct costs to programs; remaining allocated by use to fundraising and management/ general.
Dues and subscriptions	Direct costs to programs; fundraising related to fundraising; remaining to management/general
Information Technology	Direct costs to programs; fundraising related to fundraising; remaining to management/general
Travel	Based on employee payroll allocation
Postage	Direct costs to programs; Fundraising materials to fundraising remaining to management/general
Printing and reproduction	Direct costs to programs; Fundraising materials to fundraising remaining to management/general
Bank service charges and interest	Bank service charges to management/general; Interest to program
Licenses and permits	Allocated by use between programs and management/general

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1. Nature of Activities and Significant Policies, Continued

New accounting pronouncements:

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, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's net assets or changes in net assets.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 9, 2020, the date the financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2019, are comprised of the following at December 31, 2019:

	<u>2019</u>	<u>2018</u>
Total assets at year end	\$ 8,213,989	\$ 8,584,207
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(561,265)	(707,629)
Prepaid expenses	(365,155)	(362,629)
Property and equipment, net	(1,418,144)	(533,446)
Deposits	(98,688)	(92,242)
Non-current portion of contributions receivable	(41,317)	(324,070)
	<u>(2,484,569)</u>	<u>(2,020,016)</u>
Less amounts not available to be used within one year due to donor imposed restrictions:	(493,855)	(775,060)
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 5,235,565</u>	<u>\$ 5,789,131</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 2. Availability and Liquidity, Continued

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests excess cash in short-term investments, including certificate of deposits with maturity of a year or less, and has the ability to redeem certain investments as necessary to meet its obligations.

Note 3. Promises to Give

Promises to give are as follows at December 31:

	2019	2018
Promises to give	\$ 493,249	\$ 888,517
Less current portion	493,249	621,850
Promises due after one year	\$ -	\$ 266,667

Promises to give - related party are as follows at December 31:

	2019	2018
Promises to give – related party	\$ 51,524	\$ 71,962
Less current portion	10,207	14,559
Promises – related party due after one year	\$ 41,317	\$ 57,403

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Office furniture and equipment	\$ 245,677	\$ 253,851
Warehouse equipment and vehicles	1,761,598	668,888
Leasehold improvements	246,043	144,950
Total fixed assets	2,253,318	1,067,689
Less accumulated depreciation	835,174	534,243
	\$ 1,418,144	\$ 533,446

Depreciation charged to operations was \$310,006 and \$152,772 in 2019 and 2018, respectively.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 5. 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
2020	\$	798,569
2021		699,086
2022		557,251
2023		533,944
Thereafter		827,246
	\$	<u>3,416,096</u>

Rent expense for the years ended December 31, 2019 and December 31, 2018 was \$1,665,566 and \$1,484,211, respectively. Warehouse and office rent expense comprises \$1,166,009 and \$1,063,495 of the total rent expense as December 31, 2019 and December 31, 2018, respectively. In-kind rent expense was \$126,720 at December 31, 2019 and 2018.

Note 6. 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 \$1,401,043 and \$380,737 as of December 31, 2019 and 2018. Accumulated depreciation related to these assets was \$294,112 and \$114,314 as of December 31, 2019 and 2018, respectively. Total depreciation charged to operations in regards to these leases was \$179,798 and \$34,214 in 2019 and 2018, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$77,780 and \$3,500, respectively.

Future minimum lease payments under capital leases as of December 31, 2019 are expected to be as follows:

Year ending December 31,		Amount
2020	\$	234,614
2021		234,614
2022		234,614
2023		234,614
2024		234,614
2025		224,297
Total minimum lease payments		<u>1,397,367</u>
Less: amount representing interest		<u>255,185</u>
Present value of minimum lease payment		1,142,182
Less: current portion		<u>158,609</u>
Non-current portion	\$	<u>983,573</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 7. Deferred Rent

The Organization leases multiple facilities as discussed in Note 5. The lease payments on these facilities are recognized on a straight line basis over the lease term. At December 31, 2019 and December 31, 2018, net deferred rent expense associated with these agreements was \$164,412 and \$107,575, respectively. Rent expense will be recognized as follows in future periods:

Year ending December 31,		Amount
2020	\$	-
2021		20,016
2022		28,545
2023		40,702
2024		14,402
Thereafter		60,747
	\$	<u>164,412</u>

Note 8. Line of Credit

In November 2019, the Organization renewed an agreement with a financial institution for a line of credit up to \$500,000 bearing interest at the greater of a floating rate equal to the Prime Rate (4.75% as of December 31, 2019) 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, 2019 and 2018.

Note 9. Other Credit

Revolving Credit Cards

The Organization has revolving credit card relationships with two national financial institutions. An account with Wells Fargo with a credit limit of \$500,000 and a floating interest rate equal to the Prime Rate (4.75% as of December 31, 2019) plus 7.99%. In addition, the Organization has an account with American Express with no stated limit and a floating interest rate equal to the Prime Rate plus 11.99%. \$135,879 and \$163,984 was outstanding under these relationships as of December 31, 2019 and 2018, respectively, which is included in accounts payable in the accompanying financial statements.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Emergency Relief Funding	\$ 84,181	\$ 181,826
Corporate Donor Grant for Meal		
Packaging Events	313,668	578,796
W A S H fund	89,961	14,438
Other Temporary Restricted	6,045	-
	<u>\$ 493,855</u>	<u>\$ 775,060</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>2019</u>	<u>2018</u>
Corporate Donor Grant for Meal	\$	\$
Packaging Events	265,129	-
Emergency Relief Funding	99,255	-
W A S H fund	-	6,192
Other Temporary Restricted	5,000	-
	<u>\$ 369,384</u>	<u>\$ 6,192</u>

Note 11. 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 2019 and 2018, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2019</u>	<u>2018</u>
Donated inventory, beginning	\$ 118,638	\$ 55,202
Gift-in-kind inventory donations	35,986,452	33,648,478
Gift-in-kind inventory distributed	(36,061,840)	(33,585,042)
Donated inventory, ending	<u>\$ 43,250</u>	<u>\$ 118,638</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 12. Retirement Plan

During 2018, the Organization transitioned from a simplified employee pension plan to a 403(b) retirement plan for the benefit of all its employees who are over age 21, have completed one year of service, and work more than 20 hours per week. 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, 2019 and 2018 was \$0 and \$159,250, respectively.

Note 13. 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, 2019 and 2018, marketing, public relations and advertising expense was \$165,622 and \$295,701, respectively.

Note 14. Subsequent Events

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Organization's ability to hold meal packaging events, as well as the demand from local corporations, faith congregations, schools, colleges and universities, and civic organizations to hold such events. These conditions could adversely affect the Organization's mission, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Organization's operations or other businesses of the Organization's clients, which could significantly disrupt the Organization's operations and the operations of the Organization's clients. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act is an emergency economic stimulus package in response to the COVID-19 outbreak, which among other things, provides for loans to be made to small businesses under the Payroll Protection Program (PPP). On April 20, 2020 the Organization received a loan in the amount of \$1,978,400. The loan has an interest rate of 1% and matures on April 20, 2022. The loan is unsecured and is payable in 18 installments of \$111,358 starting on November 20, 2020. Pursuant to the PPP Rules, all or a portion of this loan may be forgiven. The actual amount of the loan forgiveness will depend, in part, on the total amount of Payroll Costs (as defined in Section 1102(a)(2) of the CARES Act), payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020 and utility payments under service agreements dated before February 15, 2020, paid by the Organization during the eight-week period following the date of the Note; provided, however, not more than 25% of the loan forgiveness amount may be attributable to non-Payroll Costs. In the event the Organization fails to satisfy the loan forgiveness provisions of the PPP Rules and some or all of this loan is not forgiven, the unforgiven portion of the loan will remain an obligation of the Organization that must be paid back to Lender in accordance with the terms listed above.