

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2020
with comparative totals for 2019***

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 Statements of Financial Position as of December 31, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive style with a long, sweeping underline.

Raleigh, North Carolina

June 1, 2021

Rise Against Hunger, Inc.

Statements of Financial Position

As of December 31, 2020 with summarized financial information for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,347,841	\$ 3,811,002
Contributions receivable	76,087	493,249
Contributions receivable - related party	10,000	10,207
Accounts receivable	148,037	973,869
Affiliate receivable	161,013	83,513
Other receivables	191,828	357,580
Inventory		
Purchased	533,713	518,015
Donated	250,702	43,250
Security deposits	9,319	28,140
Prepaid expense	309,047	365,155
Total current assets	<u>6,037,587</u>	<u>6,683,980</u>
Property and equipment, net	1,064,677	1,418,144
Other assets		
Non-current portion of security deposits	61,399	70,548
Non-current portion of contributions receivable - related party	35,024	41,317
Total assets	<u>\$ 7,198,687</u>	<u>\$ 8,213,989</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 543,607	\$ 1,738,176
Accrued payroll and payroll taxes	692,951	577,320
Deferred revenue	1,312,283	1,113,730
Lease payable	169,478	158,609
Deferred rent	8,394	8,478
Total current liabilities	<u>2,726,713</u>	<u>3,596,313</u>
Long-term liabilities		
Non-current portion of lease payable	811,534	983,573
Non-current portion of deferred rent	127,410	155,934
Total long-term liabilities	<u>938,944</u>	<u>1,139,507</u>
Total liabilities	<u>3,665,657</u>	<u>4,735,820</u>
Net assets		
Without donor restrictions	2,843,066	2,984,314
With donor restrictions	689,964	493,855
Total net assets	<u>3,533,030</u>	<u>3,478,169</u>
Total liabilities and net assets	<u>\$ 7,198,687</u>	<u>\$ 8,213,989</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Statements of Activities

For the year ended December 31, 2020 with summarized financial information for the year ended December 31, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Meal packaging income	\$ 4,867,137	\$ -	\$ 4,867,137	\$ 19,750,675
Grants and contributions	6,886,536	2,370,444	9,256,980	6,303,566
Donated inventory	33,241,007	-	33,241,007	35,986,452
Donated rent	126,720	-	126,720	126,720
Donated services	56,810	-	56,810	118,357
Sales revenue	10,295	-	10,295	25,532
Interest and dividends	17,197	-	17,197	40,496
Gain (Loss) on sale of equipment	(60,423)	-	(60,423)	1,717
Net assets released from restrictions	2,174,335	(2,174,335)	-	-
Other Income - PPP Grant	1,978,400	-	1,978,400	-
Total support and revenues	49,298,014	196,109	49,494,123	62,353,515
Expenses				
Program services	44,737,204	-	44,737,204	56,745,237
Management and general	3,482,043	-	3,482,043	4,368,537
Fundraising activities	1,220,015	-	1,220,015	1,472,396
Total expenses	49,439,262	-	49,439,262	62,586,170
Changes in net assets	(141,248)	196,109	54,861	(232,655)
Net assets at beginning of year	2,984,314	493,855	3,478,169	3,710,824
Net assets at end of year	\$ 2,843,066	\$ 689,964	\$ 3,533,030	\$ 3,478,169

See Notes to Financial Statements

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2020 with summarized financial information for the year ended December 31, 2019**

	2020			2019	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 2,258,936	\$ -	\$ -	\$ 2,258,936	\$ 7,073,959
Grants to others	140,500	-	-	140,500	245,261
Distributed donated inventory	33,033,555	-	-	33,033,555	36,061,840
International meals - affiliates	305,194	-	-	305,194	2,745,481
Program services - other	1,078,534	-	-	1,078,534	361,651
Salaries	4,976,456	1,484,216	850,601	7,311,273	8,840,633
Payroll taxes and benefits	981,271	283,438	138,707	1,403,416	1,701,313
Rent	1,392,867	111,918	-	1,504,785	1,665,566
Printing and reproduction	4,630	33,499	33,658	71,787	98,108
Marketing, public relations and advertising	-	156,519	14,431	170,950	165,622
Bank service charges and interest	73,444	70,764	-	144,208	186,915
Depreciation	245,443	45,937	-	291,380	310,006
Dues and subscriptions	4,848	6,059	30	10,937	50,402
Insurance	-	327,858	-	327,858	342,009
Professional fees	50,612	525,758	142,715	719,085	1,291,156
Office supplies	20,812	4,167	1,638	26,617	103,318
Licenses and permits	3,037	490	-	3,527	5,534
Repairs and maintenance	53,915	3,366	-	57,281	97,504
Telephone and internet	-	16,135	-	16,135	23,404
Travel	74,388	15,331	19,761	109,480	642,889
Meetings and training	13,353	22,780	-	36,133	125,250
Postage	13,392	5,512	12,037	30,941	50,385
Information technology	12,017	368,296	6,437	386,750	397,964
Total expenses	<u>\$ 44,737,204</u>	<u>\$ 3,482,043</u>	<u>\$ 1,220,015</u>	<u>\$ 49,439,262</u>	<u>\$ 62,586,170</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Statements of Cash Flows

For the years ended December 31, 2020 with summarized financial information for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 54,861	\$ (232,655)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	291,380	310,006
Loss (Gain) on sale/disposal of equipment	60,423	(1,717)
Donated inventory	(33,241,007)	(35,986,452)
Distributed donated inventory	33,033,555	36,061,840
(Increase) decrease in assets:		
Contributions receivable	417,162	395,268
Contribution receivable - related party	6,500	20,438
Accounts receivable	825,832	(254,396)
Purchased inventory	(15,698)	70,976
Prepaid expenses	56,108	(2,526)
Affiliate receivable	(77,500)	-
Other receivables	165,752	(250,114)
Deposits	27,970	(6,446)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,078,938)	(652,976)
Deferred rent	(28,608)	56,837
Deferred revenue	198,553	(416,874)
Net cash provided by (used in) operating activities	<u>696,345</u>	<u>(888,791)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	7,497	2,414
Purchases of equipment	(5,833)	(175,096)
Net cash provided by (used in) investing activities	<u>1,664</u>	<u>(172,682)</u>
Cash flows from financing activities:		
Repayments on note payable	-	(2,874)
Repayments on capital lease obligations	(161,170)	(141,981)
Net cash used in financing activities	<u>(161,170)</u>	<u>(144,855)</u>
Net increase (decrease) in cash and cash equivalents	536,839	(1,206,328)
Cash and cash equivalents at beginning of the year	3,811,002	5,017,330
Cash and cash equivalents at end of the year	<u>\$ 4,347,841</u>	<u>\$ 3,811,002</u>
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	<u>\$ -</u>	<u>\$ 2,624</u>
Noncash investing and financing transactions:		
Acquisition of equipment by capital lease	<u>\$ -</u>	<u>\$ 1,020,306</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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 2020, 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, 2020 and 2019

Note 1. Nature of Activities and Significant Policies, Continued

Additional forms of aid, continued:

In 2020, the Organization shipped more than \$33 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:

In 2019, 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.

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, 2020 and 2019

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.

Deferred revenues:

Deferred revenues consist of contract liabilities arising from deposits on meal packaging events that have not occurred at year-end. The following table presents the beginning and ending balances of contract liabilities as of December 31:

	<u>2020</u>	<u>2019</u>
Contract Liabilities beginning as of January 1	\$ 1,113,730	\$ 1,530,604
Revenue recognized for performance obligations completed during the year	(4,219,499)	(7,970,471)
Revenues deferred until performance obligations are completed	<u>4,418,052</u>	<u>7,553,597</u>
Contract liabilities as of December 31	<u>\$ 1,312,283</u>	<u>\$ 1,113,730</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. Related party contributions receivable are made up of promises to give by employees and board members. 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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Activities and Significant Policies, Continued

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 2020 and 2019 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).

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, 2020 and 2019 were \$3,636,542 and \$2,654,585, 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.

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, 2020, 29% of trade receivables pertained to business entities and 59% related to religious and civic organizations. As of December 31, 2019, 52% of trade receivables pertained to business entities and 29% related to religious and civic organizations. The following table represents donors representing more than 10% of accounts receivable at December 31, 2020 and/or 2019.

<u>Donor</u>	<u>2020</u> <u>Accounts</u> <u>Receivable</u>	<u>2019</u> <u>Accounts</u> <u>Receivable</u>
A	0%	11.2%

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. As of December 31, 2020 and 2019, management has determined that no impairment or decrease below market value has occurred for the donated assets.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Activities and Significant Policies, Continued

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, 2020 and 2019.

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, 2020 and 2019, 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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Activities and Significant Policies, Continued

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.

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 organizations should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. The Organization did not have any unrecognized tax benefits.

The tax years from 2017 through 2020, 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, 2020 and 2019.

Reclassifications:

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 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, 2019, 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, 2020 and 2019

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
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, 2020 and 2019

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.

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 1, 2021, 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, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Total assets at year end	\$ 7,198,687	\$ 8,213,989
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(784,415)	(561,265)
Prepaid expenses	(309,047)	(365,155)
Property and equipment, net	(1,064,677)	(1,418,144)
Deposits	(61,399)	(98,688)
Non-current portion of contributions receivable	(35,024)	(41,317)
	<u>(2,254,562)</u>	<u>(2,484,569)</u>
Less amounts not available to be used within one year due to donor imposed restrictions:		
	<u>(689,964)</u>	<u>(493,855)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,254,161</u>	<u>\$ 5,235,565</u>

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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3. Contributions Receivable

Contributions receivable are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 76,087	\$ 493,249
Less current portion	<u>76,087</u>	<u>493,249</u>
Contributions due after one year	<u>\$ -</u>	<u>\$ -</u>

Contributions receivable - related party are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Contributions receivable – related party	\$ 45,024	\$ 51,524
Less current portion	<u>10,001</u>	<u>10,207</u>
Contributions – related party due after one year	<u>\$ 35,025</u>	<u>\$ 41,317</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 154,218	\$ 245,677
Warehouse equipment and vehicles	1,698,564	1,761,598
Leasehold improvements	<u>205,206</u>	<u>246,043</u>
Total fixed assets	2,057,988	2,253,318
Less accumulated depreciation	<u>993,311</u>	<u>835,174</u>
	<u>\$ 1,064,677</u>	<u>\$ 1,418,144</u>

Depreciation charged to operations was \$291,380 and \$310,006 in 2020 and 2019, respectively.

Rise Against Hunger, Inc.

Notes to Financial Statements

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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:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 714,465
2022	518,177
2023	388,936
Thereafter	<u>827,083</u>
	<u>\$ 2,448,661</u>

Rent expense for the years ended December 31, 2020 and December 31, 2019 was \$1,504,785 and \$1,665,566, respectively. Warehouse and office rent expense comprises \$1,127,819 and \$1,166,009 of the total rent expense as December 31, 2020 and December 31, 2019, respectively. In-kind rent expense was \$126,720 for the years ended December 31, 2020 and 2019.

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 \$1,283,246 and \$1,401,043 as of December 31, 2020 and 2019. Accumulated depreciation related to these assets was \$364,315 and \$294,112 as of December 31, 2020 and 2019, respectively. Total depreciation charged to operations in regards to these leases was \$188,000 and \$179,798 in 2020 and 2019, respectively. Interest expense for the years ended December 31, 2020 and 2019 was \$73,444 and \$77,780, respectively.

Future minimum lease payments under capital leases as of December 31, 2020 are expected to be as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 234,614
2022	234,614
2023	234,614
2024	234,614
2025	<u>223,714</u>
Total minimum lease payments	1,162,170
Less: amount representing interest	<u>181,158</u>
Present value of minimum lease payment	981,012
Less: current portion	<u>169,478</u>
Non-current portion	<u>\$ 811,534</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

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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, 2020 and December 31, 2019, net deferred rent expense associated with these agreements was \$135,804 and \$164,412, respectively. Rent expense will be recognized as follows in future periods:

<u>Year ending December 31,</u>		<u>Amount</u>
2021	\$	8,394
2022		14,772
2023		19,822
2024		19,303
2025		25,076
Thereafter		48,437
	\$	<u>135,804</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 (3.25% as of December 31, 2020) 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, 2020 and 2019.

Note 9. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Emergency Relief Funding	\$ 412,732	\$ 158,955
Corporate Donor Grant for Meal Packaging Events	249,681	307,807
W A S H (Water Sanitation & Hygiene) fund	16,049	16,049
Other Temporary Restricted	11,502	11,044
	<u>\$ 689,964</u>	<u>\$ 493,855</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 9. Net Assets with Donor Restrictions, Continued

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>2020</u>	<u>2019</u>
Corporate Donor Grant for Meal Packaging Events	\$ 1,175,936	\$ 265,129
Emergency Relief Funding	232,590	99,255
Other Temporary Restricted	765,809	5,000
	<u>\$ 2,174,335</u>	<u>\$ 369,384</u>

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 2020 and 2019, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2020</u>	<u>2019</u>
Donated inventory, beginning	\$ 43,250	\$ 118,638
Gift-in-kind inventory donations	33,241,007	35,986,452
Gift-in-kind inventory distributed	(33,033,555)	(36,061,840)
Donated inventory, ending	<u>\$ 250,702</u>	<u>\$ 43,250</u>

Note 11. 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. There were no employer contributions for the years ended December 31, 2020 and 2019.

Rise Against Hunger, Inc.

Notes to Financial Statements

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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, 2020 and 2019, marketing, public relations and advertising expense was \$170,950 and \$165,622, respectively.

Note 13. Commitments and Contingencies

Payroll Protection Program loan forgiveness:

On March 27, 2020, the Organization entered into a loan with a financial institution in the principal amount of \$1,978,400 pursuant to the Paycheck Protection Program under the CARES Act. The PPP loan is unsecured and guaranteed by the SBA. As of December 31, 2020, the Organization has applied for forgiveness and feels they have met all applicable requirements for full forgiveness, but has not received formal approval of forgiveness. Per ASC 958-605, having substantially met the criteria for forgiveness, the Organization has elected to report the PPP loan as grant income. While there can be no guarantee until the Organization receives notification of forgiveness on its submitted application, the Company believes all amounts spent from the PPP loan will ultimately be forgiven. If the application for forgiveness is denied, the balance would be then be treated as a loan and amounts previously recorded into income would be reversed once known. The PPP loan would then bear interest at 1 percent and be payable within 24 months of the date the funds were received.

Note 14. Disclosure of Uncertainties

The 2019 novel coronavirus (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 donors, which could significantly disrupt the Organization's operations and the operations of the Organization's donors. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

Note 15. Subsequent Events

Subsequent events were evaluated through June 1, 2021, the date the financial statements were available to be issued. During this time, no subsequent events occurred that required revision to the financial statements.