

**Rise Against Hunger, Inc.**

***Report on Financial Statements***

***For the year ended December 31, 2021  
With Comparative Totals for 2020***

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# 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 financial statements of Rise Against Hunger, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Rise Against Hunger, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Raleigh, North Carolina  
August 15, 2022

# Rise Against Hunger, Inc.

## Statements of Financial Position

As of December 31, 2021 with summarized financial information for the year ended December 31, 2020

	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,491,281	\$ 4,347,841
Contributions receivable	944,071	76,087
Contributions receivable - related party	1,883	10,000
Accounts receivable	450,086	148,037
Affiliate receivable	111,013	161,013
Other receivables	167,318	191,828
Inventory		
Purchased	448,714	533,713
Donated	138,009	250,702
Prepaid expense	337,265	309,047
Total current assets	<u>9,089,640</u>	<u>6,028,268</u>
<b>Property and equipment, net</b>	859,038	1,064,677
<b>Other assets</b>		
Security deposits	64,751	70,718
Non-current portion of contributions receivable	1,300,000	-
Non-current portion of contributions receivable - related party	23,139	35,024
Total assets	<u>\$ 11,336,568</u>	<u>\$ 7,198,687</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 582,869	\$ 543,607
Accrued payroll and payroll taxes	404,717	692,951
Deferred revenue	2,785,395	1,312,283
Lease payable	184,305	169,478
Security deposits	9,800	-
Deferred rent	12,183	8,394
Payroll Protection Program (PPP) loan	1,999,700	-
Total current liabilities	<u>5,978,969</u>	<u>2,726,713</u>
<b>Long-term liabilities</b>		
Non-current portion of lease payable	624,675	811,534
Non-current portion of deferred rent	114,093	127,410
Total long-term liabilities	<u>738,768</u>	<u>938,944</u>
Total liabilities	<u>6,717,737</u>	<u>3,665,657</u>
<b>Net assets</b>		
Without donor restrictions	1,189,488	2,843,066
With donor restrictions	3,429,343	689,964
Total net assets	<u>4,618,831</u>	<u>3,533,030</u>
Total liabilities and net assets	<u>\$ 11,336,568</u>	<u>\$ 7,198,687</u>

See Notes to Financial Statements

**Rise Against Hunger, Inc.****Statements of Activities****For the year ended December 31, 2021 with summarized financial information for the year ended December 31, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenues</b>				
Meal packaging income	\$ 6,068,623	\$ -	\$ 6,068,623	\$ 4,867,137
Grants and contributions	4,809,363	5,790,665	10,600,028	9,256,980
Rent income	81,208	-	81,208	-
Donated inventory	29,946,534	-	29,946,534	33,241,007
Donated rent	126,720	-	126,720	126,720
Donated services	22,632	-	22,632	56,810
Sales revenue	1,603	-	1,603	10,295
Interest and dividends	635	-	635	17,197
Gain (Loss) on sale of equipment	1,672	-	1,672	(60,423)
Net assets released from restrictions	3,051,286	(3,051,286)	-	-
Other Income - PPP Grant	-	-	-	1,978,400
Total support and revenues	44,110,276	2,739,379	46,849,655	49,494,123
<b>Expenses</b>				
Program services	41,588,488	-	41,588,488	44,737,204
Management and general	3,073,589	-	3,073,589	3,482,043
Fundraising activities	1,101,777	-	1,101,777	1,220,015
Total expenses	45,763,854	-	45,763,854	49,439,262
<b>Changes in net assets</b>	<b>(1,653,578)</b>	<b>2,739,379</b>	<b>1,085,801</b>	<b>54,861</b>
<b>Net assets at beginning of year</b>	<b>2,843,066</b>	<b>689,964</b>	<b>3,533,030</b>	<b>3,478,169</b>
<b>Net assets at end of year</b>	<b>\$ 1,189,488</b>	<b>\$ 3,429,343</b>	<b>\$ 4,618,831</b>	<b>\$ 3,533,030</b>

**See Notes to Financial Statements**

**Rise Against Hunger, Inc.****Statements of Functional Expenses****For the year ended December 31, 2021 with summarized financial information for the year ended December 31, 2020**

	2021			2020
	Program Services	Management and General	Fundraising Activities	Total
Meal packaging program	\$ 2,585,750	\$ -	\$ -	\$ 2,585,750
Grants to others	156,466	-	-	156,466
Distributed donated inventory	30,059,227	-	-	30,059,227
International meals - affiliates	565,433	-	-	565,433
Program services - other	1,560,882	-	-	1,560,882
Salaries	3,856,214	1,208,086	786,154	5,850,454
Payroll taxes and benefits	874,190	248,100	148,495	1,270,785
Rent	1,293,472	-	-	1,293,472
Printing and reproduction	6,926	11,864	20,659	39,449
Marketing, public relations and advertising	-	189,599	11,708	201,307
Bank service charges and interest	62,666	80,759	-	143,425
Depreciation	234,741	8,513	-	243,254
Dues and subscriptions	4,401	17,832	684	22,917
Insurance	-	258,965	-	258,965
Professional fees	63,173	543,708	86,436	693,317
Office supplies	33,261	1,363	1,353	35,977
Licenses and permits	5,497	-	-	5,497
Repairs and maintenance	80,132	14	-	80,146
Telephone and internet	-	4,085	-	4,085
Travel	124,495	49,962	16,095	190,552
Meetings and training	637	84,136	-	84,773
Postage	9,335	7,823	5,753	22,911
Information technology	11,590	358,780	24,440	394,810
Total expenses	<u>\$ 41,588,488</u>	<u>\$ 3,073,589</u>	<u>\$ 1,101,777</u>	<u>\$ 45,763,854</u>
				<u>\$ 49,439,262</u>

**See Notes to Financial Statements**

## Rise Against Hunger, Inc.

### Statements of Cash Flows

For the years ended December 31, 2021 with summarized financial information for the year ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,085,801	\$ 54,861
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	243,254	291,380
Loss (Gain) on sale/disposal of equipment	(1,672)	60,423
Donated inventory	(29,946,534)	(33,241,007)
Distributed donated inventory	30,059,227	33,033,555
(Increase) decrease in assets:		
Contributions receivable	(2,167,984)	417,162
Contribution receivable - related party	20,002	6,500
Accounts receivable	(302,049)	825,832
Purchased inventory	84,999	(15,698)
Prepaid expenses	(28,218)	56,108
Affiliate receivable	50,000	(77,500)
Other receivables	24,510	165,752
Deposits	5,967	27,970
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	39,262	(1,194,569)
Accrued payroll and payroll taxes	(288,234)	115,631
Deferred rent	(9,528)	(28,608)
Deferred revenue	1,473,112	198,553
Net cash provided by operating activities	<u>341,915</u>	<u>696,345</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of equipment	5,850	7,497
Purchases of equipment	(41,793)	(5,833)
Net cash provided by (used in) investing activities	<u>(35,943)</u>	<u>1,664</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP loan	1,999,700	-
Repayments on note payable	-	-
Repayments on capital lease obligations	(162,232)	(161,170)
Net cash used in financing activities	<u>1,837,468</u>	<u>(161,170)</u>
Net increase in cash and cash equivalents	2,143,440	536,839
<b>Cash and cash equivalents at beginning of the year</b>	<u>4,347,841</u>	<u>3,811,002</u>
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 6,491,281</u>	<u>\$ 4,347,841</u>

See Notes to Financial Statements



## Rise Against Hunger, Inc.

### *Notes to Financial Statements*

*December 31, 2021 and 2020*

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#### **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 2021, 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, 2021 and 2020

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#### Note 1. Nature of Activities and Significant Policies, Continued

##### Additional forms of aid, continued:

In 2021, the Organization shipped more than \$30 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:

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, 2021 and 2020

### 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>2021</u>	<u>2020</u>
Contract Liabilities beginning as of January 1	\$ 1,312,283	\$ 1,113,730
Revenue recognized for performance obligations completed during the year	(4,025,037)	(4,219,499)
Revenues deferred until performance obligations are completed	<u>5,498,149</u>	<u>4,418,052</u>
Contract liabilities as of December 31	<u>\$ 2,785,395</u>	<u>\$ 1,312,283</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, 2021 and 2020

### 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, 2021 and 2020 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, 2021 and 2020 were \$5,780,101 and \$3,636,542, 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, 2021, 9% of trade receivables pertained to business entities and 89% related to religious and civic organizations. As of December 31, 2020, 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, 2021 and/or 2020.

	<u>2021</u>	<u>2020</u>
<u>Donor</u>	<u>Accounts Receivable</u>	<u>Accounts Receivable</u>
A	31%	-

#### 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.

# Rise Against Hunger, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

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### Note 1. Nature of Activities and Significant Policies, Continued

#### 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, 2021 and 2020, management has determined that no impairment or decrease below market value has occurred for the donated assets.

#### 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, 2021 and 2020.

#### 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 net realizable value.

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

As of December 31, 2021 and 2020, 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

## Rise Against Hunger, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

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#### Note 1. Nature of Activities and Significant Policies, Continued

##### 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.

##### 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, 2021 and 2020.

##### Reclassifications:

Certain amounts in the 2020 summarized financial information have been reclassified to conform to the 2021 presentation.

## Rise Against Hunger, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

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#### Note 1. Nature of Activities and Significant Policies, Continued

##### 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.

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
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

## Rise Against Hunger, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 1. Nature of Activities and Significant Policies, Continued

##### Expense allocation, continued:

<u>Expense Type</u>	<u>Method of Allocation</u>
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

##### 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 August 15, 2022, 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, 2021 and 2020, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Total assets at year end	\$ 11,336,568	\$ 7,198,687
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(586,723)	(784,415)
Prepaid expenses	(337,265)	(309,047)
Property and equipment, net	(859,038)	(1,064,677)
Deposits	(64,751)	(61,399)
Non-current portion of contributions receivable	<u>(1,323,139)</u>	<u>(35,024)</u>
	<u>(3,170,916)</u>	<u>(2,484,569)</u>
Less amounts not available to be used within one year due to donor imposed restrictions	<u>(3,429,343)</u>	<u>(689,964)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,736,309</u>	<u>\$ 4,254,161</u>



## Rise Against Hunger, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### 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. Contributions Receivable

Contributions receivable are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 2,244,071	\$ 76,087
Less current portion	<u>944,071</u>	<u>76,087</u>
Contributions due after one year	<u>\$ 1,300,000</u>	<u>\$ -</u>

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

	<u>2021</u>	<u>2020</u>
Contributions receivable – related party	\$ 25,022	\$ 45,024
Less current portion	<u>1,883</u>	<u>10,001</u>
Contributions – related party due after one year	<u>\$ 23,139</u>	<u>\$ 35,025</u>

#### Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Office furniture and equipment	\$ 120,903	\$ 154,218
Warehouse equipment and vehicles	1,641,281	1,698,564
Leasehold improvements	<u>183,680</u>	<u>205,206</u>
Total fixed assets	1,945,864	2,057,988
Less accumulated depreciation	<u>1,086,976</u>	<u>993,311</u>
	<u>\$ 859,038</u>	<u>\$ 1,064,677</u>

Depreciation charged to operations was \$243,254 and \$291,380 in 2021 and 2020, 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:

2022	\$ 594,862
2023	465,621
2024	351,940
2025	336,915
2026	<u>250,046</u>
	<u>\$ 1,999,384</u>

Rent expense for the years ended December 31, 2021 and December 31, 2020 was \$1,293,472 and \$1,504,785, respectively. In-kind rent expense was \$126,720 for the years ended December 31, 2021 and 2020.

#### 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 \$1,283,246 as of December 31, 2021 and 2020. Accumulated depreciation related to these assets was \$547,636 and \$364,315 as of December 31, 2021 and 2020, respectively. Total depreciation charged to operations in regards to these leases was \$188,000 in 2021 and 2020. Interest expense for the years ended December 31, 2021 and 2020 was \$62,666 and \$73,444, respectively.

Future minimum lease payments under capital leases as of December 31, 2021 are expected to be as follows:

2022	\$ 234,614
2023	234,614
2024	234,614
2025	<u>223,721</u>
Total minimum lease payments	927,563
Less: amount representing interest	<u>118,582</u>
Present value of minimum lease payment	808,981
Less: current portion	<u>184,306</u>
Non-current portion	<u>\$ 624,675</u>

## Rise Against Hunger, Inc.

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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, 2021 and December 31, 2020, net deferred rent expense associated with these agreements was \$126,276 and \$135,804, respectively. Rent expense will be recognized as follows in future periods:

2022	\$	12,183
2023		19,330
2024		21,089
2025		29,237
2026		44,437
		<u>44,437</u>
	\$	<u>126,276</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, 2021) plus 0.750% or the Floor Rate (5.00%). The line is secured by equipment, inventory, accounts receivable, and other rights to payment. The Organization had no outstanding balance as of December 31, 2021 and 2020.

#### Note 9. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Emergency Relief Funding	\$ 429,259	\$ 412,732
Corporate Donor Grant for Meal Packaging Events	678,541	249,681
W A S H (Water Sanitation & Hygiene) fund	16,049	16,049
Agricultural Projects & Empowering Communities	<u>2,300,494</u>	<u>11,502</u>
	<u>\$ 3,424,343</u>	<u>\$ 689,964</u>

## Rise Against Hunger, Inc.

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#### 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>2021</u>	<u>2020</u>
Corporate Donor Grant for Meal Packaging Events	\$ 1,574,448	\$ 1,175,936
Emergency Relief Funding	216,455	232,590
Agriculture Projects & Empowering Communities	1,212,499	11,502
Other Temporarily Restricted	<u>47,884</u>	<u>754,307</u>
	<u>\$ 3,051,286</u>	<u>\$ 2,174,335</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 2021 and 2020, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2021</u>	<u>2020</u>
Donated inventory, beginning	\$ 250,702	\$ 43,250
Gift-in-kind inventory donations	29,946,534	33,241,007
Gift-in-kind inventory distributed	<u>(30,059,227)</u>	<u>(33,033,555)</u>
Donated inventory, ending	<u>\$ 138,009</u>	<u>\$ 250,702</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, 2021 and 2020.

## **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, 2021 and 2020, marketing, public relations and advertising expense was \$201,307 and \$170,950, 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 had applied for forgiveness and felt they had met all applicable requirements for full forgiveness but had not received formal approval of forgiveness. Per ASC 958-605, having substantially met the criteria for forgiveness, the Organization elected to report the PPP loan as grant income in 2020. As of December 31, 2021, the SBA provided the company a Notice of PPP Forgiveness Payment for \$1,978,400.

On February 6, 2021, the Organization entered a 2nd loan with a financial institution in the principal amount of \$1,999,700 pursuant to the Paycheck Protection Program under the CARES Act. The PPP loan is unsecured and guaranteed by the SBA. As of December 31, 2021, 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. 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 then be treated as a loan. 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.