

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2023
with comparative totals for 2022***

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 financial statements of Rise Against Hunger, Inc. (a nonprofit organization) (the "Organization"), which comprise the Statements of Financial Position as of December 31, 2023, 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 Organization as of December 31, 2023, and the results of its operations and its cash flows for the year 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 Organization 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 or available to be 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Raleigh, North Carolina
July 30, 2024

Rise Against Hunger, Inc.
Statements of Financial Position
As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,088,209	\$ 6,111,655
Contributions receivable	70,812	1,315,001
Contributions receivable - related party	18,772	14,877
Accounts receivable	1,139,848	1,173,827
Affiliate receivable	122,617	68,553
Other receivables	356,759	190,421
Inventory		
Purchased	1,059,790	797,303
Donated	33,902	1,008,379
Prepaid expense	321,962	233,941
Total current assets	<u>11,212,671</u>	<u>10,913,957</u>
Lease right-of-use asset - operating leases, net	4,271,407	3,045,988
Lease right-of-use asset - finance leases, net	366,845	519,804
Property and equipment, net	292,584	169,601
Other assets		
Security deposits	137,299	98,534
Non-current portion of contributions receivable - related party	4,000	7,895
Total assets	<u>\$ 16,284,806</u>	<u>\$ 14,755,779</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,785,679	\$ 1,007,847
Accrued payroll and payroll taxes	212,845	230,427
Deferred revenue	1,246,934	1,884,225
Security deposits	17,700	17,700
Current portion of lease liability - operating leases	1,361,240	817,074
Current portion of lease liability - finance leases	234,614	197,447
Total current liabilities	<u>4,859,012</u>	<u>4,154,720</u>
Long-term liabilities		
Non-current portion of lease liability - operating leases	3,083,489	2,382,070
Non-current portion of lease liability - finance leases	204,979	427,149
Total long-term liabilities	<u>3,288,468</u>	<u>2,809,219</u>
Total liabilities	<u>8,147,480</u>	<u>6,963,939</u>
Net assets		
Without donor restrictions	6,324,599	4,686,736
With donor restrictions	1,812,727	3,105,104
Total net assets	<u>8,137,326</u>	<u>7,791,840</u>
Total liabilities and net assets	<u>\$ 16,284,806</u>	<u>\$ 14,755,779</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.**Statements of Activities****For the year ended December 31, 2023 with summarized financial information for the year ended December 31, 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Meal packaging income	\$ 16,247,607	\$ -	\$ 16,247,607	\$ 12,667,756
Grants and contributions	8,080,175	2,878,737	10,958,912	9,543,658
Rent income	232,596	-	232,596	132,977
Donated inventory	43,587,939	-	43,587,939	33,415,212
Donated rent	23,786	-	23,786	126,720
Donated services	161,752	-	161,752	207,019
Sales revenue	-	-	-	2,134
Interest and dividends	264,712	-	264,712	20,536
Gain (Loss) on sale of equipment	(590)	-	(590)	60
Net assets released from restrictions	4,171,114	(4,171,114)	-	-
Payroll Protection Program Grant	-	-	-	1,999,700
Total support and revenues	72,769,091	(1,292,377)	71,476,714	58,115,772
Expenses				
Program services	65,708,699	-	65,708,699	49,538,820
Management and general	3,484,752	-	3,484,752	3,439,040
Fundraising activities	1,937,777	-	1,937,777	1,843,848
Total expenses	71,131,228	-	71,131,228	54,821,708
Changes in net assets from operations	1,637,863	(1,292,377)	345,486	3,294,064
Change in accounting principle	-	-	-	(121,055)
Total change in net assets	1,637,863	(1,292,377)	345,486	3,173,009
Net assets at beginning of year	4,686,736	3,105,104	7,791,840	4,618,831
Net assets at end of year	<u>\$ 6,324,599</u>	<u>\$ 1,812,727</u>	<u>\$ 8,137,326</u>	<u>\$ 7,791,840</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2023 with summarized financial information for the year ended December 31, 2022**

	2023			2022	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 5,952,916	\$ -	\$ -	\$ 5,952,916	\$ 4,931,486
Grants to others	134,636	-	161,752	296,388	326,272
Distributed donated inventory	44,562,417	-	-	44,562,417	32,544,842
International meals - affiliates	2,181,440	-	-	2,181,440	1,255,702
Program services - other	3,445,215	-	-	3,445,215	3,018,264
Salaries	5,454,955	1,491,361	1,141,573	8,087,889	6,921,404
Payroll taxes and benefits	1,220,179	320,356	207,344	1,747,879	1,518,654
Operating lease expense	1,261,168	-	-	1,261,168	844,597
Finance lease expense	418,037	-	-	418,037	417,935
Other Rent	117,975	-	-	117,975	98,887
Printing and reproduction	113,310	42,121	68,463	223,894	241,126
Marketing, public relations and advertising	-	212,429	105,308	317,737	190,015
Bank service charges and interest	-	103,634	378	104,012	90,285
Amortization	152,959	-	-	152,959	183,321
Depreciation	97,130	22,704	-	119,834	77,008
Dues and subscriptions	3,033	4,406	3,222	10,661	32,951
Insurance	-	245,688	-	245,688	211,728
Professional fees	18,161	495,135	146,186	659,482	644,225
Office supplies	55,670	7,992	4,791	68,453	61,242
Licenses and permits	260	-	-	260	800
Repairs and maintenance	173,402	-	-	173,402	85,953
Telephone and internet	-	4,845	-	4,845	4,170
Travel	292,061	54,977	93,764	440,802	385,344
Meetings and training	-	58,773	69	58,842	159,099
Postage	15,977	10,009	2,795	28,781	56,173
Information technology	1,281	410,322	2,132	413,735	470,518
Finance lease interest	36,517	-	-	36,517	49,707
Total expenses	<u>\$ 65,708,699</u>	<u>\$ 3,484,752</u>	<u>\$ 1,937,777</u>	<u>\$ 71,131,228</u>	<u>\$ 54,821,708</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Statements of Cash Flows

For the years ended December 31, 2023 with summarized financial information for the year ended December 31, 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 345,486	\$ 3,173,009
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	272,793	260,330
Loss (Gain) on sale/disposal of equipment	590	(60)
Donated inventory	(43,587,939)	(33,415,212)
Distributed donated inventory	44,562,417	32,544,842
Lease liability - operating leases	1,245,585	3,199,145
Lease right-of-use asset - operating leases, net	(1,225,419)	(3,045,988)
(Increase) decrease in assets:		
Contributions receivable	1,244,189	929,070
Contribution receivable - related party	-	2,250
Accounts receivable	33,979	(723,741)
Purchased inventory	(262,487)	(348,589)
Prepaid expenses	(88,021)	103,324
Affiliate receivable	(54,064)	42,460
Other receivables	(166,338)	(23,103)
Deposits	(38,765)	(33,783)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,048,484	538,921
Accrued payroll and payroll taxes	(288,234)	(288,234)
Deferred rent	-	(126,276)
Security deposits	-	7,900
Deferred revenue	(637,291)	(901,170)
Payroll Protection Program (PPP) loan	-	(1,999,700)
Net cash provided by (used in) operating activities	<u>2,404,965</u>	<u>(104,605)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	-	7,952
Purchases of equipment	(243,408)	(98,589)
Net cash used in investing activities	<u>(243,408)</u>	<u>(90,637)</u>
Cash flows from financing activities:		
Lease liability - finance lease	(185,003)	(184,384)
Net cash used in financing activities	<u>(185,003)</u>	<u>(184,384)</u>
Net increase (decrease) in cash and cash equivalents	1,976,554	(379,626)
Cash and cash equivalents at beginning of the year	<u>6,111,655</u>	<u>6,491,281</u>
Cash and cash equivalents at end of the year	<u>\$ 8,088,209</u>	<u>\$ 6,111,655</u>
Supplemental information:		
Noncash transaction - change in accounting principle	<u>\$ -</u>	<u>\$ (121,055)</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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.

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 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 2023, 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.

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.

In 2023, the Organization shipped more than \$44 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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1. Nature of Activities and Significant Policies, Continued

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:

Grants and 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.

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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1. Nature of Activities and Significant Policies, Continued

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>2023</u>	<u>2022</u>
Contract Liabilities beginning as of January 1	\$ 1,884,225	\$ 2,785,395
Revenue recognized for performance obligations completed during the year	(8,683,613)	(8,315,158)
Revenues deferred until performance obligations are completed	<u>8,046,322</u>	<u>7,413,988</u>
Contract liabilities as of December 31	<u>\$ 1,246,934</u>	<u>\$ 1,884,225</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.

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 2023 and 2022 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, 2023 and 2022

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, 2023 and 2022 were \$7,587,657 and \$5,606,798, 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 accounts receivables. The Organization's accounts receivables consist primarily of amounts due from business entities as well as religious and civic organizations. As of December 31, 2023, 78% of accounts receivables pertained to business entities and 22% related to religious and civic organizations. As of December 31, 2022, 10% of trade receivables pertained to business entities and 90% related to religious and civic organizations. The following table represents donors representing more than 10% of accounts receivable at December 31, 2023 and/or 2022.

	<u>2023</u>	<u>2022</u>
<u>Donor</u>	<u>Accounts Receivable</u>	<u>Accounts Receivable</u>
A	0%	10%
B	51%	29%

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, 2023 and 2022

Note 1. Nature of Activities and Significant Policies, Continued

Contributed nonfinancial 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, 2023 and 2022, management has determined that no impairment or decrease below market value has occurred for the donated assets. The Organization receives donations of food, medicine, and supplies for use in relief and development programs; these items are recognized at the estimated fair market value based on current economic factors.

Accounts receivable and allowance for credit losses:

The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Company's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in operating expense.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Organization's financial assets, the specifics of each receivable and the level of reliance on historical experience in light of economic conditions, as well as the estimated future economic conditions that could impact the assets. The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business, and the estimated life of its financial assets.

Accounts receivable reflected on the Statement of Financial Position are expected to be received within one year and are generated from meal packaging events. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for possible credit losses is deemed necessary as of December 31, 2023 and 2022.

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.

Contributed nonfinancial assets are recorded and carried in inventory at their estimated fair market value at date of donation based on current economic factors.

As of December 31, 2023 and 2022, management has determined that no allowance for obsolete inventory is required.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1. Nature of Activities and Significant Policies, Continued

Property and equipment:

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

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

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

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 2019 through 2022, 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, 2023 and 2022.

Reclassifications:

Certain amounts in the 2022 summarized financial information have been reclassified to conform to the 2023 presentation.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022

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 June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and certain other instruments. The ASU requires these financial assets to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The Company adopted ASU 2016-13 with a date of initial application of January 1, 2023, and adoption of the ASU did not have a material effect 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 July 30, 2024, the date the financial statements were available to be issued.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Total assets at year end	\$ 16,284,806	\$ 14,755,779
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(1,093,692)	(1,805,682)
Prepaid expenses	(321,962)	(233,941)
Lease right-of-use asset - operating leases, net	(4,271,407)	(3,045,988)
Lease right-of-use asset - finance leases, net	(366,845)	(519,804)
Property and equipment, net	(292,584)	(169,601)
Deposits	(137,299)	(98,534)
Non-current portion of contributions receivable	<u>(4,000)</u>	<u>(7,895)</u>
	<u>(6,487,789)</u>	<u>(5,881,445)</u>
Less amounts not available to be used within one year due to donor imposed restrictions	<u>(1,812,727)</u>	<u>(3,105,104)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 7,984,290</u>	<u>\$ 5,769,230</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.

Note 3. Contributions Receivable

Contributions receivable are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 70,812	\$ 1,315,001
Less current portion	<u>70,812</u>	<u>1,315,001</u>
Contributions due after one year	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2023</u>	<u>2022</u>
Contributions receivable – related party	\$ 22,772	\$ 22,772
Less current portion	<u>18,772</u>	<u>14,877</u>
Contributions – related party due after one year	<u>\$ 4,000</u>	<u>\$ 7,895</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Office furniture and equipment	\$ 78,689	\$ 141,205
Warehouse equipment and vehicles	360,689	337,358
Leasehold improvements	<u>387,380</u>	<u>206,497</u>
Total fixed assets	826,758	685,060
Less accumulated depreciation	<u>(534,174)</u>	<u>(515,459)</u>
	<u>\$ 292,584</u>	<u>\$ 169,601</u>

Depreciation charged to operations was \$119,834 and \$77,008 in 2023 and 2022, respectively. In 2022, assets related to Finance Leases were transferred out of Property and Equipment for reporting purposes as part of the ASC 842 implementation discussed in Note 1. See Note 6 for more details.

Note 5. Operating Leases

The Organization is obligated under various operating warehouse leases. The term for these leases vary between 36 and 84 months and end between March 1, 2025 and December 31, 2028. Remaining lease terms vary between 15 and 60 months. The discount rate of the operating leases at December 31, 2023 was 5%. Lease payments under this agreement totaled \$1,241,004 and \$817,074 for the years ended December 31, 2023 and 2022, respectively.

Future minimum rental commitments under the lease at December 31, 2023 were as follows:

2024	\$ 1,361,240
2025	1,305,290
2026	1,084,032
2027	844,047
2028	<u>281,574</u>
Total lease payment	4,876,183
Less: imputed interest	<u>(431,454)</u>
Present value of future minimum lease payments	<u>\$ 4,444,729</u>

Note 6. Finance Leases

The Organization is also obligated under one agreement for several box trucks used to transport inventory expiring in 2025. The remaining lease term for the finance leases as of December 31, 2023 was 24 months. The discount rate for finance leases at December 31, 2023 were between 6.67% and 7.10%. The leases provide that the Organization will pay property taxes, insurance, and maintenance during the lease term. The Organization's finance leases do not contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. Fixed lease expense under these agreements totaled \$418,037 and \$417,935 for the years ended December 31, 2023 and 2022, respectively, and is included in the statement of functional expense.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 6. Finance Leases, Continued

The components of lease expense for the year ending December 31, 2023 were as follows:

Finance lease cost	\$	198,097
Finance lease cost - amortization of right-of-use assets		183,423
Finance lease cost - interest on lease liabilities		<u>36,517</u>
	\$	<u>418,037</u>

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs.

Future minimum lease payments at December 31, 2023 were as follows:

2024	\$	234,614
2025		<u>234,614</u>
Total lease payment		469,228
Less: imputed interest		<u>(29,636)</u>
Present value of future minimum lease payments	\$	<u>439,592</u>

The leased equipment held under capital leases had a cost \$1,292,746 as of December 31, 2023 and 2022. Accumulated amortization related to these assets was \$925,901 and \$772,942 as of December 31, 2023 and 2022, respectively. Total amortization charged to operations in regard to this lease was \$152,959 and \$183,321 in 2023 and 2022, respectively. Interest expense for the years ended December 31, 2023 and 2022 was \$36,517 and \$50,309 respectively.

Note 7. 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 (7.5% as of December 31, 2023) 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, 2023 and 2022.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 8. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Emergency Relief Funding	\$ 305,566	\$ 1,415,280
Corporate Donor Grant for Meal Packaging Events	1,284,787	685,925
W A S H (Water Sanitation & Hygiene) fund	16,049	16,049
Agricultural Projects & Empowering Communities	39,510	987,850
Nourishing Lives Pathway	<u>166,815</u>	<u>-</u>
	<u>\$ 1,812,727</u>	<u>\$ 3,105,104</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>2023</u>	<u>2022</u>
Corporate Donor Grant for Meal Packaging Events	\$ 1,728,409	\$ 3,238,401
Emergency Relief Funding	1,140,748	273,419
Agriculture Projects & Empowering Communities	<u>1,301,957</u>	<u>1,531,167</u>
	<u>\$ 4,171,114</u>	<u>\$ 5,042,987</u>

Note 9. Contributed Nonfinancial Assets

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 ownership 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. Items are valued at their estimated fair value based on current economic factors.

During 2023 and 2022, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2023</u>	<u>2022</u>
Donated inventory, beginning	\$ 1,008,379	\$ 138,009
Gift-in-kind inventory donations	43,587,939	33,415,212
Gift-in-kind inventory distributed	<u>(44,562,416)</u>	<u>(32,544,842)</u>
Donated inventory, ending	<u>\$ 33,902</u>	<u>\$ 1,008,379</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 10. 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. Employer contributions during the years ended December 31, 2023 and 2022 was \$211,812 and \$172,157, respectively.

Note 11. 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, 2023 and 2022, marketing, public relations and advertising expense was \$317,737 and \$190,015, respectively.

Note 12. Commitments and Contingencies

Payroll Protection Program loan forgiveness:

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, 2022, the SBA provided the Organization a Notice of PPP Forgiveness Payment for \$1,999,700.