

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2018
With Comparative Totals for 2017***

Rise Against Hunger, Inc.

Contents

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rise Against Hunger, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2018, 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.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. Rise Against Hunger, Inc. adopted ASU 2016-14 during the year ended December 31, 2018, and it was applied retrospectively. The adoption of this standard did not have any impact on Rise Against Hunger, Inc.'s net assets or changes in net assets. Our opinion is not modified with respect to this matter.

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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Elliott Davis, PLLC

Raleigh, North Carolina
May 10, 2019

Rise Against Hunger, Inc.**Statements of Financial Position****As of December 31, 2018 with summarized financial information for the year ended December 31, 2017**

	<u>2018</u>	<u>2017</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 5,017,330	\$ 6,634,984
Promises to give	621,850	267,856
Promises to give - related party	14,559	-
Accounts receivable	719,473	631,418
Other receivables	190,979	206,280
Inventory		
Purchased	588,991	715,211
Donated	118,638	55,202
Prepaid expenses	362,629	425,815
Total current assets	<u>7,634,449</u>	<u>8,936,766</u>
<i>Property and equipment, net</i>	533,446	337,016
<i>Other assets</i>		
Deposits	92,242	80,505
Non-current portion of promises to give	266,667	-
Non-current portion of promises to give - related party	57,403	-
Total assets	<u>\$ 8,584,207</u>	<u>\$ 9,354,287</u>
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable	\$ 2,351,876	\$ 1,794,074
Accrued expenses	616,596	631,614
Deferred revenue	1,530,604	1,532,723
Lease payable	34,061	40,426
Note payable	2,874	5,690
Deferred rent	12,041	9,397
Total current liabilities	<u>4,548,052</u>	<u>4,013,924</u>
<i>Long-term liabilities</i>		
Non-current portion of lease payable	229,797	6,785
Non-current portion of note payable	-	2,620
Non-current portion of deferred rent	95,534	100,959
Total long-term liabilities	<u>325,331</u>	<u>110,364</u>
Total liabilities	<u>4,873,383</u>	<u>4,124,288</u>
<i>Net assets</i>		
Without donor restrictions	2,935,764	4,971,881
With donor restrictions	775,060	258,118
Total net assets	<u>3,710,824</u>	<u>5,229,999</u>
Total liabilities and net assets	<u>\$ 8,584,207</u>	<u>\$ 9,354,287</u>

Rise Against Hunger, Inc.**Statements of Activities****For the year ended December 31, 2018 with summarized financial information for the year ended December 31, 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Meal packaging Income	\$ 18,959,621	\$ -	\$ 18,959,621	\$ 17,836,709
Grants and contributions	5,905,034	523,134	6,428,168	4,890,317
Donated inventory	33,648,478	-	33,648,478	26,096,486
Donated rent	126,720	-	126,720	126,720
Donated services	80,516	-	80,516	400
Sales revenue	28,710	-	28,710	35,651
Interest and dividends	30,622	-	30,622	22,942
Loss on sale of equipment	(3,674)	-	(3,674)	(6,364)
Net assets released from restrictions	6,192	(6,192)	-	-
Total support and revenues	58,782,219	516,942	59,299,161	49,002,861
Expenses:				
Program services	53,890,940	-	53,890,940	43,433,308
Management and general	5,279,267	-	5,279,267	4,819,367
Fundraising activities	1,648,129	-	1,648,129	1,504,386
Total expenses	60,818,336	-	60,818,336	49,757,061
Changes in net assets	(2,036,117)	516,942	(1,519,175)	(754,200)
Net assets at beginning of year	4,971,881	258,118	5,229,999	5,984,199
Net assets at end of year	\$ 2,935,764	\$ 775,060	\$ 3,710,824	\$ 5,229,999

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2018 with summarized financial information for the year ended December 31, 2017**

	2018			2017	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 9,573,715	\$ -	\$ -	\$ 9,573,715	\$ 7,871,125
Grants to others	315,897	-	-	315,897	79,683
Distributed Inventory	33,585,042	-	-	33,585,042	26,126,539
Program services - other	405,879	-	-	405,879	509,331
Salaries	5,813,705	2,052,926	950,055	8,816,686	7,589,911
Payroll taxes and benefits	1,132,796	386,023	174,853	1,693,672	1,686,943
Retirement	102,011	41,792	15,447	159,250	129,761
Rent	1,299,342	184,869	-	1,484,211	1,373,780
Printing and reproduction	60,516	124,504	15,097	200,117	216,061
Marketing, public relations and advertising	-	261,559	34,142	295,701	80,762
Bank service charges	2,431	83,499	-	85,930	65,889
Depreciation	97,819	54,953	-	152,772	133,030
Dues and subscriptions	20,469	47,999	2,116	70,584	56,451
Insurance	-	352,390	-	352,390	415,693
Professional fees	508,817	872,328	186,107	1,567,252	1,521,112
Office supplies	88,854	22,785	8,093	119,732	121,833
Licenses and permits	3,649	505	-	4,154	16,529
Repairs and maintenance	89,667	4,427	-	94,094	80,892
Telephone and internet	-	22,270	-	22,270	18,547
Travel	701,765	175,888	190,575	1,068,228	978,677
Meetings and training	50,411	173,609	16,370	240,390	279,237
Postage	27,170	26,129	5,666	58,965	45,715
Information technology	10,985	390,812	49,608	451,405	359,560
Total expenses	<u>\$ 53,890,940</u>	<u>\$ 5,279,267</u>	<u>\$ 1,648,129</u>	<u>\$ 60,818,336</u>	<u>\$ 49,757,061</u>

Rise Against Hunger, Inc.**Statements of Cash Flows****For the years ended December 31, 2018 with summarized financial information for the year ended December 31, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,519,175)	\$ (754,200)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	152,772	133,030
Loss on disposal of equipment	3,674	6,364
Donated inventory	(33,648,478)	(26,096,486)
Distributed donated inventory	33,585,042	26,126,539
(Increase) decrease in assets:		
Promises to give	(620,661)	162,666
Promises to give - related party	(71,962)	-
Accounts receivable	(88,055)	(117,619)
Purchased inventory	126,220	(13,108)
Prepaid expenses	63,186	(266,123)
Other receivables	15,301	(101,756)
Deposits	(11,737)	(5,350)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	542,784	635,928
Deferred rent	(2,781)	68,725
Deferred revenue	(2,119)	419,031
Net cash provided by (used in) operating activities	<u>(1,475,989)</u>	<u>197,641</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	25,549	7,500
Purchases of equipment	(115,484)	(138,933)
Net cash used in investing activities	<u>(89,935)</u>	<u>(131,433)</u>
Cash flows from financing activities:		
Repayments on note payable	(5,436)	(4,860)
Repayments on capital lease obligations	(46,294)	(50,269)
Net cash used in financing activities	<u>(51,730)</u>	<u>(55,129)</u>
Net increase (decrease) in cash and cash equivalents	(1,617,654)	11,079
Cash and cash equivalents at beginning of the year	6,634,984	6,623,905
Cash and cash equivalents at end of the year	<u>\$ 5,017,330</u>	<u>\$ 6,634,984</u>
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	<u>\$ 3,500</u>	<u>\$ 4,000</u>
Noncash investing and financing transactions:		
Acquisition of equipment by capital lease	<u>\$ 262,941</u>	<u>\$ -</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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 2018, 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, 2018 and 2017

Note 1. Nature of Activities and Significant Policies, Continued

Additional forms of aid, continued:

In 2018, the Organization shipped more than \$33.6 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.

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, 2018 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017 were \$3,073,204 and \$4,447,681, 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, 2018, 55% of trade receivables pertained to business entities and 29% related to religious and civic organizations. As of December 31, 2017, 62% of trade receivables pertained to business entities and 28% related to religious and civic organizations. The following table represents donors representing a large portion of accounts receivable at December 31, 2018 and 2017.

<u>Donors</u>	<u>2018</u> <u>Accounts</u> <u>Receivable</u>	<u>2017</u> <u>Accounts</u> <u>Receivable</u>
A	0%	13.4%

Contributions:

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

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

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

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Nature of Activities and Significant Policies, Continued

Contributions, continued:

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.

Deferred Revenue:

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

Donated services:

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

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

Donated assets:

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

Accounts receivable and allowance for doubtful accounts:

Accounts receivable reflected on the Statement of Financial Position are expected to be received within one year and are generated from meal packaging events. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary as of December 31, 2018 and 2017.

Promises to give:

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

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Nature of Activities and Significant Policies, Continued

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, 2018 and 2017, 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	5-10 years
Leasehold improvements	2-5 years

Deferred Rent

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

Shipping costs:

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

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.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Nature of Activities and Significant Policies, Continued

Income tax status:

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

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

The tax years from 2015 through 2018, 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, 2018 and 2017.

Reclassifications:

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 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, 2017, from which the summarized information was derived.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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
Contract services	Time and effort
Rent	Warehouses to programs; office to management/general
Marketing, public relations, and advertising	Based on payroll allocation
Meetings and trainings	Cultivation events and impact trips to Fundraising; organizational retreat to management/general, remaining by salary allocation
Professional fees	Direct costs to programs; fundraising related to fundraising; remaining to management/general
Depreciation	Allocated by use between programs, fundraising, and management/general
Repairs and maintenance	Allocated by use between programs, fundraising and management/general
Miscellaneous	Direct costs to programs; remaining allocated by use to fundraising and management/ general.
Office supplies	Direct costs to programs; remaining allocated by use to fundraising and management/ general.
Dues and subscriptions	Based on payroll allocation
Information Technology	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	to management/general
Licenses and permits	Allocated by use between programs and management/general

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Nature of Activities and Significant Policies, Continued

New accounting pronouncements:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published ASU ("Accounting Standards Update") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Organization has adopted this standard for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of functional expenses for which 2017 is presented in a summarized format. As allowed under the standard, the liquidity footnote disclosure (see Note 2) has not been presented for the year ended December 31, 2017.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Organization for reporting periods beginning after December 15, 2018. The Organization has evaluated their contracts and does not believe the standard will significantly impact their financial statements.

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

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

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

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2019, the date the financial statements were available to be issued.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018, are comprised of the following at December 31, 2018:

Financial assets at year end	\$ 6,980,503
Less amounts not available to be used within one year due to liquidity:	
Security deposits	92,242
Promises to give, related parties – long term portion	57,403
Promises to give – long term portion	<u>266,607</u>
	<u>6,564,251</u>
Less amounts not available to be used within one year due to donor imposed restrictions:	<u>775,060</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,789,191</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. Promises to Give

Promises to give are as follows at December 31:

	2018	2017
Promises to give	\$ 888,517	\$ 267,856
Less current portion	<u>621,850</u>	<u>267,856</u>
Promises due after one year	<u>\$ 266,667</u>	<u>\$ -</u>

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

	2018	2017
Promises to give – related party	\$ 71,962	\$ -
Less current portion	<u>14,559</u>	<u>-</u>
Promises – related party due after one year	<u>\$ 57,403</u>	<u>\$ -</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Office furniture and equipment	\$ 253,851	\$ 226,761
Warehouse equipment	668,888	470,766
Leasehold improvements	<u>144,950</u>	<u>133,144</u>
Total fixed assets	1,067,689	830,671
Less accumulated depreciation	<u>534,243</u>	<u>493,655</u>
	<u>\$ 533,446</u>	<u>\$ 337,016</u>

Depreciation charged to operations was \$152,772 and \$133,030 in 2018 and 2017, respectively.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 5. Operating Leases

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

Year ending December 31,		Amount
2019	\$	765,667
2020		490,534
2021		383,469
2022		291,301
2023		295,776
	\$	<u>2,226,747</u>

Rent expense for the years ended December 31, 2018 and December 31, 2017 was \$1,484,211 and \$1,373,780, respectively. Warehouse and office rent expense comprises \$1,063,495 and \$1,062,702 of the total rent expense as December 31, 2018 and December 31, 2017, respectively. In-kind rent expense was \$126,720 at December 31, 2018 and 2017.

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 \$380,737 and \$189,297 as of December 31, 2018 and 2017. Accumulated depreciation related to these assets was \$114,314 and \$99,889 as of December 31, 2018 and 2017, respectively. Total depreciation charged to operations in regards to these leases was \$34,214 and \$34,516 in 2018 and 2017, respectively. Interest expense for the years ended December 31, 2018 and 2017 was \$3,500 and \$2,097, respectively.

Future minimum lease payments under capital leases as of December 31, 2018 are expected to be as follows:

Year ending December 31,	Amount
2019	\$ 50,843
2020	47,570
2021	47,570
2022	47,570
2023	47,570
Thereafter	88,616
Total minimum lease payments	<u>329,741</u>
Less: amount representing interest	<u>65,883</u>
Present value of minimum lease payment	263,858
Less: current portion	<u>34,061</u>
Non-current portion	<u>\$ 229,797</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018 and December 31, 2017, deferred rent associated with these agreements was \$107,575 and \$110,356, respectively. Rent expense will be recognized as follows in future periods:

Year ending December 31,		Amount
2019	\$	12,041
2020		14,235
2021		21,058
2022		24,446
2023		32,713
	\$	<u>107,575</u>

Note 8. Note Payable

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

Year ending December 31,		Amount
2019	\$	<u>2,874</u>
Total		2,874
Less: current portion		<u>2,874</u>
Non-current portion	\$	<u><u>-</u></u>

Note 9. Line of Credit

In December 2018, the Organization renewed an agreement with a financial institution for a line of credit up to \$300,000 bearing interest at the greater of a floating rate equal to the Prime Rate (5.5% as of December 31, 2018) 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, 2018 and 2017.

Note 10. Other Credit

Revolving Credit Cards

The Organization has revolving credit card relationships with two national financial institutions. Total aggregate credit available under these relationships was \$570,000 as of December 31, 2018. \$163,984 and \$221,829 was outstanding under these relationships as of December 31, 2018 and 2017, respectively, which is included in accounts payable in the accompanying financial statements.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 11. Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Emergency Relief Funding	\$ 181,826	\$ 40,038
Corporate Donor Grant	578,796	200,000
W A S H fund	14,438	18,080
Vita Mamba	-	27,783
	<u>\$ 775,060</u>	<u>\$ 258,118</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>2018</u>	<u>2017</u>
Nepal Earthquake	\$ -	\$ 32,501
African Famine 2011/Southern Sudan/Old Fangak	-	70,998
Emergency Relief Funding	-	71,900
W A S H fund	6,192	146,068
Vita Mamba	-	27,783
	<u>\$ 6,192</u>	<u>\$ 349,250</u>

Note 12. 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 2018 and 2017, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2018</u>	<u>2017</u>
Donated inventory, beginning	\$ 55,202	\$ 85,255
Gift-in-kind inventory donations	33,648,478	26,096,486
Gift-in-kind inventory distributed	(33,585,042)	(26,126,539)
Donated inventory, ending	<u>\$ 118,638</u>	<u>\$ 55,202</u>

Rise Against Hunger, Inc.***Notes to Financial Statements******December 31, 2018 and 2017***

Note 14. Retirement Plan

During 2018, the Organization transitioned from a simplified employee pension plan to a 403(b) retirement plan for the benefit of all its employees who are over age 21, have completed one year of service, and work more than 20 hours per week. The amount of the contribution to the plan is determined annually by the Board of Directors. The amount of employer contributions included in these financial statements for the years ended December 31, 2018 and 2017 was \$159,250 and \$129,761, respectively.

Note 15. 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, 2018 and 2017, marketing, public relations and advertising expense was \$295,701 and \$80,762, respectively.