

Rise Against Hunger, Inc.

Report on Financial Statements

***For the year ended December 31, 2022
with comparative totals for 2021***

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) (the "Organization"), which comprise the Statements of Financial Position as of December 31, 2022 and 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 Organization as of December 31, 2022 and 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 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.

Adoption of Lease Accounting Standard

As discussed in Note 1 to the financial statements, Rise Against Hunger, Inc. adopted the provisions of Accounting Standards Update 2016-2, *Leases (Topic 842)* during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Raleigh, North Carolina
October 31, 2023

Rise Against Hunger, Inc.**Statements of Financial Position****As of December 31, 2022 with summarized financial information for the year ended December 31, 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,111,655	\$ 6,491,281
Contributions receivable	1,315,001	944,071
Contributions receivable - related party	14,877	1,883
Accounts receivable	1,173,827	450,086
Affiliate receivable	68,553	111,013
Other receivables	190,421	167,318
Inventory		
Purchased	797,303	448,714
Donated	1,008,379	138,009
Prepaid expense	233,941	337,265
Total current assets	<u>10,913,957</u>	<u>9,089,640</u>
Lease right-of-use asset - operating leases, net	3,045,988	-
Lease right-of-use asset - finance leases, net	519,804	-
Property and equipment, net	169,601	859,038
Other assets		
Security deposits	98,534	64,751
Non-current portion of contributions receivable	-	1,300,000
Non-current portion of contributions receivable - related party	7,895	23,139
Total assets	<u>\$ 14,755,779</u>	<u>\$ 11,336,568</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,007,847	\$ 582,869
Accrued payroll and payroll taxes	230,427	404,717
Deferred revenue	1,884,225	2,785,395
Lease payable	-	184,305
Security deposits	17,700	9,800
Deferred rent	-	12,183
Payroll Protection Program (PPP) loan	-	1,999,700
Current portion of lease liability - operating leases	817,074	-
Current portion of lease liability - finance leases	197,447	-
Total current liabilities	<u>4,154,720</u>	<u>5,978,969</u>
Long-term liabilities		
Non-current portion of lease payable	-	624,675
Non-current portion of lease liability - operating leases	2,382,071	-
Non-current portion of lease liability - finance leases	427,149	-
Non-current portion of deferred rent	-	114,093
Total long-term liabilities	<u>2,809,220</u>	<u>738,768</u>
Total liabilities	<u>6,963,940</u>	<u>6,717,737</u>
Net assets		
Without donor restrictions	4,686,736	1,189,488
With donor restrictions	3,105,104	3,429,343
Total net assets	<u>7,791,840</u>	<u>4,618,831</u>
Total liabilities and net assets	<u>\$ 14,755,779</u>	<u>\$ 11,336,568</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.**Statements of Activities****For the year ended December 31, 2022 with summarized financial information for the year ended December 31, 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Meal packaging income	\$ 12,667,756	\$ -	\$ 12,667,756	\$ 6,068,623
Grants and contributions	4,824,910	4,718,748	9,543,658	10,600,028
Rent income	132,977	-	132,977	81,208
Donated inventory	33,415,212	-	33,415,212	29,946,534
Donated rent	126,720	-	126,720	126,720
Donated services	207,019	-	207,019	22,632
Sales revenue	2,134	-	2,134	1,603
Interest and dividends	20,536	-	20,536	635
Gain (Loss) on sale of equipment	60	-	60	1,672
Net assets released from restrictions	5,042,987	(5,042,987)	-	-
Other income - PPP Grant	1,999,700	-	1,999,700	-
Total support and revenues	58,440,011	(324,239)	58,115,772	46,849,655
Expenses				
Program services	49,538,820	-	49,538,820	41,588,488
Management and general	3,439,040	-	3,439,040	3,073,589
Fundraising activities	1,843,848	-	1,843,848	1,101,777
Total expenses	54,821,708	-	54,821,708	45,763,854
Changes in net assets from operations	3,618,303	(324,239)	3,294,064	1,085,801
Change in accounting principle	(121,055)	-	(121,055)	-
Total change in net assets	3,497,248	(324,239)	3,173,009	1,085,801
Net assets at beginning of year	1,189,488	3,429,343	4,618,831	3,533,030
Net assets at end of year	\$ 4,686,736	\$ 3,105,104	\$ 7,791,840	\$ 4,618,831

See Notes to Financial Statements

Rise Against Hunger, Inc.**Statements of Functional Expenses****For the year ended December 31, 2022 with summarized financial information for the year ended December 31, 2021**

	2022			2021
	Program Services	Management and General	Fundraising Activities	Total
Meal packaging program	\$ 4,931,486	\$ -	\$ -	\$ 4,931,486
Grants to others	119,253	-	207,019	326,272
Distributed donated inventory	32,544,842	-	-	32,544,842
International meals - affiliates	1,255,702	-	-	1,255,702
Program services - other	3,018,264	-	-	3,018,264
Salaries	4,448,018	1,341,338	1,132,048	6,921,404
Payroll taxes and benefits	986,946	306,889	224,819	1,518,654
Operating lease expense	844,597	-	-	844,597
Finance lease expense	417,935	-	-	417,935
Other Rent	98,887	-	-	98,887
Printing and reproduction	93,092	82,898	65,136	241,126
Marketing, public relations and advertising	-	189,775	240	190,015
Bank service charges and interest	50,329	89,610	53	139,992
Amortization	183,321	-	-	183,321
Depreciation	62,090	14,918	-	77,008
Dues and subscriptions	583	30,232	2,136	32,951
Insurance	-	211,728	-	211,728
Professional fees	60,878	453,910	129,437	644,225
Office supplies	55,593	2,833	2,816	61,242
Licenses and permits	800	-	-	800
Repairs and maintenance	85,953	-	-	85,953
Telephone and internet	-	4,170	-	4,170
Travel	251,842	71,544	61,959	385,345
Meetings and training	-	158,891	208	159,099
Postage	28,410	10,854	16,909	56,173
Information technology	-	469,450	1,068	470,518
Finance lease interest	-	-	-	-
Total expenses	\$ 49,538,820	\$ 3,439,040	\$ 1,843,848	\$ 54,821,708
				\$ 45,763,854

See Notes to Financial Statements

Rise Against Hunger, Inc.

Statements of Cash Flows

For the years ended December 31, 2022 with summarized financial information for the year ended December 31, 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,173,009	\$ 1,085,801
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	260,330	243,254
Loss (Gain) on sale/disposal of equipment	(60)	(1,672)
Donated inventory	(33,415,212)	(29,946,534)
Distributed donated inventory	32,544,842	30,059,227
(Increase) decrease in assets:		
Contributions receivable	929,070	(2,167,984)
Contribution receivable - related party	2,250	20,002
Accounts receivable	(723,741)	(302,049)
Purchased inventory	(348,589)	84,999
Prepaid expenses	103,324	(28,218)
Affiliate receivable	42,460	50,000
Other receivables	(23,103)	24,510
Deposits	(33,783)	5,967
Lease right-of-use asset - operating leases, net	(3,045,988)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	538,922	39,262
Accrued payroll and payroll taxes	(288,234)	(288,234)
Deferred rent	(126,276)	(9,528)
Security deposits	7,900	-
Deferred revenue	(901,170)	1,473,112
Payroll Protection Program (PPP) loan	(1,999,700)	-
Lease liability - operating leases	3,199,145	-
Net cash provided by operating activities	<u>(104,605)</u>	<u>341,915</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	7,952	5,850
Purchases of equipment	(98,589)	(41,793)
Net cash used in investing activities	<u>(90,637)</u>	<u>(35,943)</u>
Cash flows from financing activities:		
Lease liability - finance lease	(184,384)	-
Proceeds from PPP loan	-	1,999,700
Repayments on capital lease obligations	-	(162,232)
Net cash provided by (used in) financing activities	<u>(184,384)</u>	<u>1,837,468</u>
Net increase (decrease) in cash and cash equivalents	<u>(379,626)</u>	<u>2,143,440</u>
Cash and cash equivalents at beginning of the year	<u>6,491,281</u>	<u>4,347,841</u>
Cash and cash equivalents at end of the year	<u>\$ 6,111,655</u>	<u>\$ 6,491,281</u>
Supplemental information:		
Noncash transaction - change in accounting principle	<u>\$ (121,055)</u>	<u>\$ -</u>

See Notes to Financial Statements

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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 2022, 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, 2022 and 2021

Note 1. Nature of Activities and Significant Policies, Continued

Additional forms of aid, continued:

In 2022, the Organization shipped more than \$33 million of in-kind aid, primarily in the form of vitamins and medical supplies. Many disadvantaged people throughout the world struggle with food insecurity due to limited local government support, growing populations and poor agricultural production. The Organization is dedicated to creating long-term impact by implementing sustainable development programs in vulnerable communities. The Organization's strategies focus on agriculture, health and nutrition and vocational education opportunities.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net assets:

The Organization's net assets are classified as follows:

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

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

Revenue recognition:

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, 2022 and 2021

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>2022</u>	<u>2021</u>
Contract Liabilities beginning as of January 1	\$ 2,785,395	\$ 1,312,283
Revenue recognized for performance obligations completed during the year	(8,315,158)	(4,025,037)
Revenues deferred until performance obligations are completed	<u>7,413,988</u>	<u>5,498,149</u>
Contract liabilities as of December 31	<u>\$ 1,884,225</u>	<u>\$ 2,785,395</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, 2022 and 2021

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, 2022 and 2021 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, 2022 and 2021 were \$5,606,798 and \$5,780,101, 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, 2022, 51% of trade receivables pertained to business entities and 49% related to religious and civic organizations. As of December 31, 2021, 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, 2022 and/or 2021.

	<u>2022</u>	<u>2021</u>
<u>Donor</u>	<u>Accounts Receivable</u>	<u>Accounts Receivable</u>
A	10%	31%
B	29%	0%

Donated services:

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

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

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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 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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021

Note 1. Nature of Activities and Significant Policies, Continued

Shipping costs:

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

Accounting estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income tax status:

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

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

The tax years from 2018 through 2021, 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, 2022 and 2021.

Reclassifications:

Certain amounts in the 2021 summarized financial information have been reclassified to conform to the 2022 presentation.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021

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:

The FASB, in September 2020, published Accounting Standards Update (“ASU”) No. 2020-07, *Not for Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard aims to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires additional disclosure related to the measurement and recognition of contributed nonfinancial assets. The Organization has adopted this standard for the year ended December 31, 2022. The Organization will continue to monitor nonfinancial assets contributed in the future to determine proper treatment under the standard.

The Organization adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, effective January 1, 2022. The FASB issued ASU 2016-02 to improve financial reporting on leasing transactions. The update affects all companies that lease assets. The amendments require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by lease agreements with terms greater than twelve months. Companies are also required to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. The Organization elected the package of practical expedients permitted by ASC Topic 842. Leases originally treated as operating leases remained classified as operating leases. In addition, all capital leases were determined to be finance leases in relation to the new standard. The Organization did not reassess the allocation of initial direct costs on existing leases. For operating leases, the Organization determined the discount rate by estimating the rates available in the market for financing a purchase of similar facilities. The finance lease discount rates were stated in the lease agreements. The Organization elected not to restate comparative periods and adoption resulted in a decrease to members’ equity of \$121,055 as of January 1, 2022.

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 October 31, 2023, the date the financial statements were available to be issued.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Total assets at year end	\$ 15,287,273	\$ 11,336,568
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(1,805,682)	(586,723)
Prepaid expenses	(233,941)	(337,265)
Lease right-of-use asset - operating leases, net	(3,045,988)	-
Lease right-of-use asset - finance leases, net	(519,804)	-
Property and equipment, net	(169,601)	(859,038)
Deposits	(98,534)	(64,751)
Non-current portion of contributions receivable	<u>(7,895)</u>	<u>(1,323,139)</u>
	<u>(5,881,445)</u>	<u>(3,170,916)</u>
Less amounts not available to be used within one year due to donor imposed restrictions	<u>(3,105,104)</u>	<u>(3,429,343)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 6,300,724</u>	<u>\$ 4,736,309</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>2022</u>	<u>2021</u>
Contributions receivable	\$ 1,315,001	\$ 2,244,071
Less current portion	<u>1,315,001</u>	<u>944,071</u>
Contributions due after one year	<u>\$ -</u>	<u>\$ 1,300,000</u>

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

	<u>2022</u>	<u>2021</u>
Contributions receivable – related party	\$ 14,877	\$ 25,022
Less current portion	<u>7,895</u>	<u>1,883</u>
Contributions – related party due after one year	<u>\$ 22,772</u>	<u>\$ 23,139</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 141,205	\$ 120,903
Warehouse equipment and vehicles	337,358	1,641,281
Leasehold improvements	<u>206,497</u>	<u>183,680</u>
Total fixed assets	685,060	1,945,864
Less accumulated depreciation	<u>515,459</u>	<u>1,086,976</u>
	<u>\$ 169,601</u>	<u>\$ 859,038</u>

Depreciation charged to operations was \$77,009 and \$243,254 in 2022 and 2021, respectively. 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 February 28, 2023 and September 30, 2027. Remaining lease terms vary between 2 and 57 months. The discount rate of the operating leases at December 31, 2022 was 5%. Lease payments under this agreement totaled \$817,074 and \$1,293,472 for the years ended December 31, 2022 and 2021, respectively.

Future minimum rental commitments under the lease at December 31, 2022 were as follows:

2023	\$ 983,687
2024	876,242
2025	800,872
2026	559,403
2027	<u>298,393</u>
Total lease payment	3,518,599
Less: imputed interest	<u>(319,453)</u>
Present value of future minimum lease payments	<u>\$ 3,199,146</u>

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 was 36 months. The discount rate for finance leases at December 31, 2022 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 \$417,935 for the years ended December 31, 2022, and is included in the statement of functional expense.

The components of lease expense for the year ending December 31, 2022 were as follows:

Finance lease cost	\$	184,305
Finance lease cost - amortization of right-of-use assets		183,321
Finance lease cost - interest on lease liabilities		<u>50,309</u>
	\$	<u>417,935</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, 2022 were as follows:

2023	\$	234,614
2024		234,614
2025		<u>223,641</u>
Total lease payment		692,869
Less: imputed interest		<u>(68,273)</u>
Present value of future minimum lease payments	\$	<u>624,596</u>

The leased equipment held under capital leases had a cost \$1,292,746 as of December 31, 2021. Accumulated depreciation related to these assets was \$772,942 as of December 31, 2021. Total depreciation charged to operations in regards to these leases was \$183,321 in 2021. Interest expense for the year ended December 31, 2021 was \$50,309.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 7. Deferred Rent

The Organization leases multiple facilities as discussed in Note 5. For the year ended December 31, 2022 the lease payments on these facilities were recognized on a straight-line basis over the lease term. At December 31, 2021, net deferred rent expense associated with these agreements was \$126,276. Deferred rent was eliminated by adjusting the lease asset as of January 1, 2022.

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 (7.5% as of December 31, 2022) 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, 2022 and 2021.

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>2021</u>
Emergency Relief Funding	\$ 1,415,280	\$ 429,259
Corporate Donor Grant for Meal Packaging Events	685,925	678,541
W A S H (Water Sanitation & Hygiene) fund	16,049	16,049
Agricultural Projects & Empowering Communities	<u>987,850</u>	<u>2,305,494</u>
	<u>\$ 3,105,104</u>	<u>\$ 3,429,343</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>2022</u>	<u>2021</u>
Corporate Donor Grant for Meal Packaging Events	\$ 3,238,401	\$ 1,574,448
Emergency Relief Funding	273,419	216,455
Agriculture Projects & Empowering Communities	1,531,167	1,212,499
Other Temporarily Restricted		<u>47,884</u>
	<u>\$ 5,042,987</u>	<u>\$ 3,051,286</u>

Note 10. 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 title to the Organization, these in-kind contributions are shipped to third parties in support of international relief efforts.

Rise Against Hunger, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 10. Contributed Nonfinancial Assets, Continued

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 2022 and 2021, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	<u>2022</u>	<u>2021</u>
Donated inventory, beginning	\$ 138,009	\$ 250,702
Gift-in-kind inventory donations	33,415,212	29,946,534
Gift-in-kind inventory distributed	<u>(32,544,842)</u>	<u>(30,059,227)</u>
Donated inventory, ending	<u>\$ 1,008,379</u>	<u>\$ 138,009</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. Employer contributions during the year ended December 31, 2022 were \$7,624. There were no employer contributions for the year ended December 31, 2021.

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, 2022 and 2021, marketing, public relations and advertising expense was \$190,015 and \$201,307, 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, 2021, the SBA provided the Organization 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, 2022, the SBA provided the Organization a Notice of PPP Forgiveness Payment for \$1,999,700.