

FINANCIAL STATEMENTS

HUNGER RELIEF INTERNATIONAL INC.

December 31, 2019

HUNGER RELIEF INTERNATIONAL INC.

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June 16, 2020

Board of Directors of
Hunger Relief International Inc.
Oklahoma City, Oklahoma

Independent Auditor's Report

We have audited the accompanying financial statements of Hunger Relief International Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunger Relief International Inc. as of December 31, 2019, 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.

Hill, Barth & King LLC

Certified Public Accountants

HUNGER RELIEF INTERNATIONAL INC.

**Statement of Financial Position
December 31, 2019**

Assets

Cash	\$	62,788
Restricted cash		32,705
Other current assets		57
Property and equipment – net		<u>14,703</u>

Total Assets \$ 110,253

Liabilities

Accounts payable and accrued expenses	\$	15,150
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Net Assets

Without donor restrictions		79,168
With donor restrictions		<u>15,935</u>

Total Net Assets 95,103

Total Liabilities and Net Assets \$ 110,253

HUNGER RELIEF INTERNATIONAL INC.**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Support	\$ 565,413	\$ 15,935	\$ 581,348
Other income	<u>1,017</u>	<u>-</u>	<u>1,017</u>
Total Revenues	<u>566,430</u>	<u>15,935</u>	<u>582,365</u>
Expenses			
Program services	523,395	-	523,395
Management and general	23,789	-	23,789
Fundraising	<u>35,457</u>	<u>-</u>	<u>35,457</u>
Total Expenses	<u>582,641</u>	<u>-</u>	<u>582,641</u>
Change in Net Assets	(16,211)	15,935	(276)
Net Assets – Beginning of Year - As Previously Reported	83,879	-	83,879
Prior Period Adjustment	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Net Assets - Beginning of Year - Restated	95,379	-	95,379
Net Assets – End of Year	\$ <u><u>79,168</u></u>	\$ <u><u>15,935</u></u>	\$ <u><u>95,103</u></u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.**Statement of Functional Expenses
Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries and Wages	\$ 70,400	\$ -	\$ 5,310	\$ 75,710
Payroll taxes and Employee Benefits	11,019	-	364	11,383
Total Compensation and Related Expenses	<u>81,419</u>	<u>-</u>	<u>5,674</u>	<u>87,093</u>
Other Functional Expense				
Program	292,599	-	-	292,599
Travel and meetings	9,700	2,376	596	12,672
Professional fees	75,563	1,350	19,424	96,337
Site expense	26,170	-	783	26,953
Office administration	18,868	3,551	8,711	31,130
Fundraising	8,766	16,512	269	25,547
Depreciation	10,310	-	-	10,310
Total Other Functional Expenses	<u>441,976</u>	<u>23,789</u>	<u>29,783</u>	<u>495,548</u>
Total Functional Expenses	<u>\$ 523,395</u>	<u>\$ 23,789</u>	<u>\$ 35,457</u>	<u>\$ 582,641</u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.

Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ (276)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,310
(Increase)/Decrease in operating assets	
Accounts receivable	1,039
Other current assets	(57)
Increase/(Decrease) in operating liabilities	
Accounts payable and accrued expenses	<u>8,039</u>
Net Cash Provided by Operating Activities	<u>19,055</u>
Increase in Cash and Restricted Cash	<u>19,055</u>
Cash and Restricted Cash - Beginning of Year	<u>76,438</u>
Cash and Restricted Cash - End of Year	<u><u>\$ 95,493</u></u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued) December 31, 2019

Note 1 - Organization

Hunger Relief International Inc. (the "Organization") is judeo-christian organization that works to improve and protect the lives of desperately poor children and families by building resiliency, fighting hunger, promoting family unity, and increasing self-sufficiency. The Organization does this through direct programming and by raising public awareness.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Organization refers to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method. The adoption of the new guidance did not have a material impact on the Organization’s financial statements.

The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update is designed to assist in (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional.

The FASB issued ASU 2016-08, Statement of Cash Flows (Topic 230) – *Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalent, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization has adjusted the presentation of these statements accordingly.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

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.

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued) December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions

Net assets 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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are net assets with donor restrictions of \$15,935 as of December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are then reclassified to net assets without donor restrictions. Contributions with donor restrictions received and satisfied in the same year are recorded as net assets without donor restrictions in that year.

Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Property, Equipment and Intangible Assets

The Organization capitalizes all vehicles, equipment, furniture and fixtures with a cost over \$1,000 and a useful life of more than one year. Property and equipment are capitalized at cost if purchased, fair value if donated. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
New Vehicles	7
Used Vehicles	3
Computers	3

Functional Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued) December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Expenses (Continued)

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort
Direct program costs	Direct cost
Travel and meetings	Direct cost
Professional fees	Direct cost
Site expense	Direct cost
Office administration	Direct cost
Fundraising	Direct cost
Depreciation	Direct cost

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within 90 days of purchase.

Restricted Cash as of December 31, 2019 consists of:

Guatemala	\$ 2,899
Haiti	<u>29,806</u>
Total Restricted Cash	<u><u>32,705</u></u>

Cash is restricted for program activities in its respective country.

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued) December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluated all activity of the Organization through June 16, 2020, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements, except as described below.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. It has also caused significant layoffs and unemployment. This event has not affected the Organization in this way up to this point. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the economic effect. Therefore, the Organization expects this matter to impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

During 2020, the Organization received loan proceeds in the amount of \$25,970 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("Cares Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The Organization intends to use the proceeds for purposes consistent with the PPP.

Note 3 - Concentration of Credit Risk

At various times during the year, the Organization's cash held in bank accounts may exceed the federally insured limits. At December 31, 2019, the Organization did not have any uninsured cash.

Note 4 - Property and Equipment

At December 31, 2019, property and equipment-net consisted of the following:

Vehicles	\$ 49,500
Furniture, fixtures and equipment	<u>2,941</u>
Total property and equipment	<u>52,441</u>
Less: accumulated depreciation	<u>37,738</u>
Net	<u>\$ 14,703</u>

Depreciation expense for the year ended December 31, 2019, was \$10,310.

Note 5 - Revenue Concentration

For the year ended December 31, 2019, the Organization received approximately 42% of revenue from one donor.

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued) December 31, 2019

Note 6 - Liquidity and Availability

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$50,000). The following represents the financial assets at December 31, 2019:

Cash	\$	95,493
Accounts receivable		<u>0</u>
Total financial assets		95,493
Less amounts not available to be used within one year		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>95,493</u>

Note 7 – Operating Lease

The Organization rents out office space in Haiti in which they are paying rent and utilities on a month-to-month basis. The expenses totaled \$12,130 for the year ended December 31, 2019.