



**FOOD FOR
THE HUNGRY**

FOOD FOR THE HUNGRY

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2020
(with summarized comparative financial
information for the year ended
September 30, 2019)

FOOD FOR THE HUNGRY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	8
Supplemental Information	
Independent Auditors' Report on Supplemental Information	30
Consolidating Schedule of Financial Position	31
Consolidating Schedule of Activities	32

INDEPENDENT AUDITORS' REPORT

Board of Directors
Food for the Hungry
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Food for the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc., which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors
Food for the Hungry
Phoenix, Arizona

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Food for the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc., as of September 30, 2020, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Food for Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc. have adopted Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2020 consolidated financial statements. Our opinion is not modified in respect to this matter.

Other Matters

We have previously audited the consolidated financial statements of Food for the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc. as of and for the year ended September 30, 2019 and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Capin Crouse LLP

Colorado Springs, Colorado
February 19, 2021

FOOD FOR THE HUNGRY

Consolidated Statement of Activities

(with summarized comparative financial information for the year ended September 30, 2019)

	Year Ended September 30,			2019
	2020		Total	
	Without Donor Restrictions	With Donor Restrictions		
SUPPORT, REVENUE, AND OTHER:				
Cash contributions:				
Non-U.S. National Organizations	\$ 266,513	\$ 3,929,769	\$ 4,196,282	\$ 4,432,402
Other governments	-	8,121,866	8,121,866	8,026,200
Other cash contributions	6,359,588	70,061,584	76,421,172	74,755,339
U.S. government grants	-	58,713,988	58,713,988	42,452,638
Investment income (loss)	(791,222)	190,505	(600,717)	378,668
Change in value of annuities	223,778	-	223,778	91,749
Other income	628,188	-	628,188	1,109,338
Noncash support and revenue:				
U.S. government commodities provided for distribution	-	11,729,062	11,729,062	9,167,983
Other donated commodities and services	9,014,635	1,664,794	10,679,429	10,769,678
Net assets released from restrictions	150,042,548	(150,042,548)	-	-
Total Support, Revenue, and Other	165,744,028	4,369,020	170,113,048	151,183,995
EXPENSES:				
Program ministries	128,604,066	-	128,604,066	118,038,252
Supporting services:				
Fundraising	15,767,930	-	15,767,930	18,587,561
General and administrative	8,522,860	-	8,522,860	8,528,864
	24,290,790	-	24,290,790	27,116,425
Total Expenses	152,894,856	-	152,894,856	145,154,677
Change in Net Assets Before Foreign Currency Translation	12,849,172	4,369,020	17,218,192	6,029,318
Foreign currency translation adjustments	(70,208)	-	(70,208)	(127,966)
Change in Net Assets	12,778,964	4,369,020	17,147,984	5,901,352
Net Assets, Beginning of Year	14,455,976	15,789,948	30,245,924	24,344,572
Net Assets, End of Year	\$ 27,234,940	\$ 20,158,968	\$ 47,393,908	\$ 30,245,924

See notes to consolidated financial statements

FOOD FOR THE HUNGRY

Consolidated Statement of Functional Expenses

Year Ended September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

	Program Ministries	Support Services		2020 Total	2019 Total
		Fundraising	General and Administrative		
Grants to other organizations	\$ 4,905,800	\$ -	\$ -	\$ 4,905,800	\$ 5,212,123
Direct relief and development expenses	61,557,041	-	-	61,557,041	50,550,617
Salaries and benefits	46,951,933	5,172,075	5,195,031	57,319,039	53,269,612
Events, general information, and education	472,389	9,230,341	1,482	9,704,212	13,035,593
Office expense	3,254,081	769,362	1,782,732	5,806,175	6,019,470
Travel	5,301,348	213,747	76,642	5,591,737	8,656,925
Occupancy	2,904,903	68,649	216,562	3,190,114	3,436,053
Professional services	2,578,679	142,625	333,795	3,055,099	3,159,606
Depreciation	296,629	2,735	326,164	625,528	547,224
Other expenses	381,263	168,396	590,452	1,140,111	1,267,454
Total Expenses	\$ 128,604,066	\$ 15,767,930	\$ 8,522,860	\$ 152,894,856	
 Year Ended September 30, 2019	 \$ 118,038,252	 \$ 18,587,561	 \$ 8,528,864		 \$ 145,154,677

See notes to consolidated financial statements

FOOD FOR THE HUNGRY

Consolidated Statement of Cash Flows

(with summarized comparative financial information for the year ended September 30, 2019)

	Year Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 17,147,984	\$ 5,901,352
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	625,528	547,224
Loss on disposal of land, buildings, and equipment	13,553	116,058
Gain on sale of property held for sale	(284,440)	-
Impairment loss on investment in affiliate companies	859,266	-
Net realized and unrealized losses (gains) on investments	(52,404)	6,670
Reinvested dividends	(246,419)	(234,487)
Change in value of annuities	(223,778)	(91,749)
Foreign currency translation	70,208	127,966
Changes in operating assets and liabilities:		
Grant and other receivables and grants payable	(2,841,495)	55,210
Prepaid expenses and other assets	(5,993,086)	1,228,797
Accounts payable, accrued expenses, and long-term liabilities	5,434,992	(636,176)
Deferred income	2,078,745	(368,353)
Net Cash Provided by Operating Activities	16,588,654	6,652,512
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(385,704)	(1,994,584)
Proceeds from sale property held for sale	3,841,618	-
Proceeds from sale of land, buildings, and equipment	-	8,000
Investment purchases	(7,000,000)	(2,363,311)
Proceeds from sale of investments	7,070,724	58,095
Purchases of annuity assets	(10,000)	-
Proceeds from annuity assets	57,459	44,967
Net Cash Provided (Used) by Investing Activities	3,574,097	(4,246,833)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(23,212)	(44,622)
Proceeds from loans payable	3,204,643	-
Face value of new annuity agreements	10,000	159,128
Annuity maturities	-	(98,976)
Annuity payments	(57,459)	(44,967)
Net Cash Provided (Used) by Financing Activities	3,133,972	(29,437)

(continued)

See notes to consolidated financial statements

FOOD FOR THE HUNGRY

Consolidated Statement of Cash Flows

(with summarized comparative financial information for the year ended September 30, 2019)

(continued)

	Year Ended September 30,	
	2020	2019
Effect of Exchange Rate Changes on Cash	(70,208)	(127,966)
Net Change in Cash and Cash Equivalents	23,226,515	2,248,276
Cash and Cash Equivalents, Beginning of Year	<u>13,751,375</u>	<u>11,503,099</u>
Cash and Cash Equivalents, End of Year	<u>\$ 36,977,890</u>	<u>\$ 13,751,375</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 2,289</u>
Change in value of reinsured annuity assets and liabilities	<u>\$ (4,908)</u>	<u>\$ (28,854)</u>

See notes to consolidated financial statements

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

1. NATURE OF ORGANIZATION:

Food for the Hungry, Inc. (FHUS) and FH Association share a common board and management structure responsible to operate both entities as Food for the Hungry (FH). With the existing financial interrelatedness of and affiliation agreement between FHUS and FH Association, the organizations have elected to consolidate their financial statements as permitted under the *Consolidation* topic of the Financial Accounting Standards Board Accounting Standards Codification. Four additional independent national organizations, described below, provide support to FH Association but are excluded from these consolidated financial statements.

FHUS is a Christian international relief and development organization incorporated in the United States of America (California) on January 28, 1971.

FH Association is a not-for-profit international association chartered in Switzerland on November 23, 2006. FH Association operates in Bangladesh, Bolivia, Burundi, Cambodia, Democratic Republic of Congo, Dominican Republic, Ethiopia, Guatemala, Haiti, Indonesia, Kenya, Mozambique, Nicaragua, Peru, Philippines, Rwanda, South Sudan, Uganda, and other countries with smaller field operations.

Food for the Hungry Foundation, Inc. (FHF) was incorporated in the United States of America (Colorado) on August 14, 2003. FHF is organized and operated under the control and for the benefit of FHUS. For the years ended September 30, 2020 and 2019, Food for the Hungry Foundation, Inc. had total assets of \$104,714 and \$106,454, and total liabilities of \$0 and \$77,886, respectively.

Tax Status

FHUS and FHF are not-for-profit corporations in the United States of America, which are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and are also exempt from state income taxes. However, the organizations are subject to federal income taxes on any unrelated business taxable income. Each of these entities has been classified as publicly supported organizations, which are not private foundations, under Section 509(a) of the Code. Contributions by the public are deductible for income tax purposes. FH Association is recognized as a 501(c)(4) organization.

Operating Revenues

FH relies upon contributions, private grants from its cooperative national support organizations (see Affiliated Organizations below) and government funding in order to carry out its operations. FH's ability to continue functioning at its current level of operations is dependent upon its ability to generate similar future funding.

Programs

The vision of FH is to respond to God's call until all forms of human poverty are ended worldwide. This is achieved by FH following God's call responding to human suffering and graduating communities from extreme poverty. The following programs are designed to fulfill this vision and purpose.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

1. NATURE OF ORGANIZATION, continued:

Child Sponsorship

Monthly sponsorship provides a child with access to nutritious food, clothing, medical care, educational supplies, and spiritual nourishment through community development programs. Because the programs are family and community based, gifts help the entire family and community.

Relief and Development

Emergency relief and rehabilitation, clean-water and sanitation projects, health education and intervention, agriculture development, income generation, life-skills training, and education programs are conducted.

Gifts-in-Kind Services

Non-monetary donations, called “gifts-in-kind”, including, but not limited to food, seeds, clothing, medical supplies, and pharmaceuticals are sought and integrated in FH relief, rehabilitation, and development programs. These donations are matched with the needs of field locations as well as other agencies.

Awareness and Education

By providing information and advocating about issues and public policies surrounding poverty and implementing educational programs, FH serves as an advocate for some of the poorest people in the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of Food for the Hungry have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of Food For the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc., collectively referred to as Food for the Hungry (FH). All significant intercompany balances and transactions between these entities have been eliminated to avoid double-counting.

COMPARATIVE FINANCIAL INFORMATION

The consolidated financial statements include certain prior year summarized comparative information in total but not by level of the fair value hierarchy or restriction classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FH's consolidated financial statements for the year ended September 30, 2019, from which the summarized information was derived.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

The preparation of consolidated 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 and disclosures. Accordingly, actual results could differ from those estimates.

AFFILIATED ORGANIZATIONS

FHUS is cooperative with other national support organizations ("National Organizations" or "NO") in Canada, Switzerland, United Kingdom, and the United States of America (Korean-American Food for the Hungry). The NOs operate cooperatively within the FH Association as independent not-for-profit organizations. They are also joined by yet other national organizations in a looser organization of affiliates called the FHI-Federation, which includes Japan and Korea. The NOs raise funds, supply human resources, and help design and evaluate relief and development programs implemented in many countries around the globe. These NOs provide support for FH Association activities through cash contributions and commodities. Certain affiliates contribute towards shared overhead expenses such as salaries and other expenses.

For the years ended September 30, 2020 and 2019, the support received from other affiliates was:

	Grants-Cash Contributions	Donated Commodities	2020 Total	2019 Total
Affiliated Organizations:				
Canada	\$ 2,566,450	\$ 1,664,794	\$ 4,231,244	\$ 4,706,684
Japan	497,543	-	497,543	570,823
United Kingdom	526,936	-	526,936	536,993
Korea	412,658	-	412,658	363,286
Korean American (KAFHI)	113,486	-	113,486	150,036
Switzerland	79,209	-	79,209	35,280
	\$ 4,196,282	\$ 1,664,794	\$ 5,861,076	\$ 6,363,102

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash on hand, cash on deposit, and investments purchased with original maturities of three months or less. As of September 30, 2020 and 2019, cash and cash equivalents on deposit exceeded federally insured limits by approximately \$37,392,000 and \$14,010,000, respectively. Food for the Hungry has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

All bank accounts are located in the countries where offices are located, with most cash centralized in the United States of America. As of September 30, 2020 and 2019, approximately \$2,886,000 and \$2,779,000, respectively, was located in countries which impose various restrictions. The nature of these restrictions range from prohibitions on removal of currency from the country to restrictions on the maximum amount of local currency which can be exchanged for U.S. dollars.

INVESTMENTS

Investments consists of mutual funds, exchange-traded funds, common stock, cash in investment brokerage accounts held in trust for the Child Vocational Scholarship Fund and to fund annuities for which FH is trustee, and corporate bonds. Mutual funds, exchange-traded funds, common stock, corporate bonds, and money market funds are carried at market value. Donated securities are recorded at estimated market value on the date of the gift.

GRANTS RECEIVABLE AND PAYABLE

FH receives government grants for use in relief and development programs. A portion of these funds are expended and the remaining portions are sub-granted to similar not-for-profit organizations. As of September 30, 2020 and 2019, amounts due from government grants for expenditures incurred were \$4,901,408 and \$2,009,853, respectively, which is included in grants and other receivables on the consolidated statements of financial position. As of September 30, 2020 and 2019, there were no grants payable to other agencies.

INVESTMENT IN AFFILIATES

FH retains investments in micro-finance programs in Africa through Faulu Microfinance Bank Limited and Faulu Uganda Limited. As of September 30, 2020 and 2019, FH directly owns 10% of Faulu Microfinance Bank's outstanding common shares and has an indirect claim on additional shares controlled by another entity. The FH board and the board of Faulu Microfinance Bank have one director in common. FH accounts for its investment using the cost method. During the year ended September 30, 2020, due to significant losses incurred by Faulu Microfinance Bank, some precipitated by the restrictions in place from the COVID-19 pandemic, FH recorded an impairment loss of \$859,266. FH's interest in Faulu Uganda Limited as of September 30, 2020 and 2019 is approximately 1%, which is also carried on the cost method.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY HELD FOR SALE

As of September 30, 2019, property held for sale consisted of land and a building and was held at the lower of cost or fair market value less selling costs. As of September 30, 2019, based on the underlying contract for sale, management determined that the estimated proceeds from the sale of the property would approximate its carrying value, so the property was held at cost. During the year ended September 30, 2020, this property was liquidated. Management recorded a gain on sale of \$284,440, included within other income on the consolidated statements of activities.

LAND, BUILDINGS, AND EQUIPMENT

FHUS and FH Association expenditures greater than \$5,000 for land, buildings, and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from 3 years for software to 40 years for buildings. Certain assets are purchased under grant agreements for direct use in programs and are expended in the year of acquisition when title for or ultimate ownership of the asset does not remain with FH.

ANNUITY ASSETS AND REINSURANCE CONTRACT

FHUS has established a gift annuity plan that allows donors to contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered a charitable contribution for income tax purposes.

The difference between the amount contributed for gift annuities and the liability for future payments, determined on an actuarial basis, is recognized as income at the date of the gift and is included on the consolidated statement of activities in contributions. The difference between annuity assets and liabilities is reported on the consolidated statement of financial position as net assets.

The present value of the expected payments to the annuitants over their life expectancy is included on the consolidated statements of financial position as a liability under annuity obligations. The liability is revalued annually based upon actuarially computed present values. The change in the present value, net of investment income, and terminations, is included on the consolidated statements of activities as change in value of annuities.

In March 2002, FHUS purchased a Nonparticipating Terminal Funding Group Annuity from an insurance company. The purpose of this policy is to reinsure the gift annuity obligations of FHUS. The insurance company has assumed all mortality and investment risk associated with the gift annuities. However, FHUS remains liable for fulfilling the requirements of the gift annuity agreements. The value of this policy has been determined to equal the outstanding annuity obligations of FHUS and is included on the consolidated statements of financial position as annuity assets and reinsurance contract.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ANNUITY ASSETS AND REINSURANCE CONTRACT, continued

As a result of the reinsurance of the mortality and investment risk associated with gift annuities, changes in the present value of expected payments to annuitants over their life expectancies from the date of the policy forward represent changes in the associated gift annuity reinsurance contract and not income to FHUS.

As of September 30, 2020, annuity assets totaled \$1,613,130 (\$67,949 was covered by reinsurance and \$1,545,181 was covered by other annuity assets) and annuity obligations totaled \$601,561 (\$67,949 were reinsured liabilities and \$533,612, were actuarial liabilities to annuitants). For the comparable period, as of September 30, 2019, annuity assets totaled \$1,395,098 and annuity liabilities totaled \$612,023.

NET ASSETS

The consolidated financial statements report amounts by classification of net assets as follows:

Net assets without donor restrictions amounts are currently available at the discretion of the board for use in FH's operations, specific purposes as designated by the board, or investments in land, building and equipment and in affiliate companies.

Net assets with donor restrictions amounts are stipulated by donors for specific operating purposes, for capital projects, for time restrictions, or to be restricted in perpetuity (see Note 10 for a summary of net assets with donor restrictions).

Net assets restricted in perpetuity amounts are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as without donor restrictions or with donor restrictions, as specified in endowment agreements. Net assets restricted in perpetuity consist of the Child Vocational Scholarship Fund. Each year, all or part of the investment income from the Child Vocational Scholarship Fund is available for award to graduates of the child sponsorship program for additional vocational training. The investment income can also be used by FH Association staff toward funding courses that would enable them to better serve the country in which they minister.

All contributions and grants are considered available for use without donor restrictions unless specifically restricted by the donor.

SUPPORT, REVENUE, AND OTHER

Contributions and grants are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to FH. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND OTHER, continued

FH receives donations of food, clothing, medical supplies, and other commodities for use in relief and development programs from the U.S. government and other donors. All such gifts-in-kind are distributed by FH Association or similar not-for-profit organizations for ultimate use by needy people around the world (Note 11).

The gifts-in-kind received through private donations are recorded at their estimated fair value on the date of the gift. For the years ended September 30, 2020 and 2019, FH reported its gifts-in-kind based on market sources and inputs to estimate fair value using an exit price notion. For non-FDA (Food and Drug Administration) deworming medicines, FH relied on survey data from the surrounding countries to determine fair value. U.S. government commodities are valued using the purchase price by the U.S. Department of Agriculture, as depicted on the bill of lading, which approximates fair value.

FH is a member of the Accord Network, a group of charities performing relief and development work. In accordance with standards the group developed in December 2009 and revised in May 2019 (the Interagency Gift-in-kind Standards), FH only recognizes amounts related to the value of commodities when FH (i) is the original recipient of the gift, or (ii) is in partnership with another organization for distribution, or (iii) uses the commodities in a FH program.

Contributions and grants are recorded as with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from with donor restrictions to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. FH's policy is to record contributions with donor restrictions received and expended in the same accounting period as contributions with donor restrictions and net assets released from restrictions. Contributions with donor restrictions are subject to assessments based on level of administrative and fundraising effort for that specific revenue stream. Assessments are classified as contributions without donor restrictions at the time the contributions are received.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND OTHER, continued

Net assets released from restrictions include:

	Year Ended September 30,	
	2020	2019
U.S. government grants	\$ 58,713,988	\$ -
Administrative assessments	33,409,089	32,723,764
Child sponsorship	28,807,225	30,072,383
Relief efforts and other projects	16,946,673	20,717,255
U.S. government commodities provided for distribution	11,729,062	-
International staff support	361,071	386,381
Child Vocational Scholarships granted	75,440	60,940
	<u>\$ 150,042,548</u>	<u>\$ 83,960,723</u>

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

Support from governments in other countries restricted for specified purpose, primarily Great Britain, Canada, Finland, Switzerland and intergovernmental agencies including the United Nations International Children's Emergency Fund (UNICEF), the United Nations World Food Programme (UNWFP), and the United Nations Food and Agriculture Organization (UNFAO), is recognized as cash contributions from other governments in the consolidated statements of activities.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND OTHER, continued

During the year ended September 30, 2020, FH received approximately 40% of total revenue from U.S. government grants, 36% from child sponsorship contributions, 7% gifts-in-kind received through private donations, and 17% from all other sources. During the year ended September 30, 2019, FH received approximately 34% of total revenue from U.S. government grants, 36% from child sponsorship contributions, 7% gifts-in-kind received through private donations, and 23% from all other sources.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program ministries and supporting services have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program ministries and supporting services benefited. Salaries and benefits are allocated based on time and effort. Occupancy expenses represents space related costs, including depreciation and lease expense, which are allocated to the functional categories directly and/or based on the square footage occupancy. Other costs are allocated based on the purpose of the expense.

ALLOCATION OF JOINT COSTS

FH's policy is to allocate all costs of activities which have a fund-raising component as 100% fund-raising in accordance with the *Accounting for Costs that Include Fundraising* topic of the Financial Accounting Standards Board Accounting Standards Codification.

FOREIGN CURRENCY TRANSLATION

All field offices have identified their local currency as their functional currency and the U.S. dollar as their reporting currency. The consolidated financial statements of these locations are remeasured to U.S. dollars using month end rates of exchange for all monetary assets and liabilities, and average rates of exchange for the year for revenues and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of activities. FH recognized a net unrealized foreign loss of approximately \$70,208 and \$127,966, during the years ended September 30, 2020 and 2019, respectively, which is reported in the consolidated statements of activities as foreign currency translation adjustments.

RECLASSIFICATIONS

During the year ended September 30, 2020, management identified certain adjustments within the natural classifications reported within the statement of functional expenses. To conform to current year presentation, certain amounts presented within the summarized comparative information for the year ended September 30, 2019 was reclassified. No changes were made to the functional allocation of expenses.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. FH adopted the provisions of this new standard during the year ended September 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard resulted in U.S. government grants and U.S. government commodities provided for distribution, previously classified as exchange transaction within net assets without donor restriction, being classified as contributions within net assets with donor restriction, and when the conditions are met, and simultaneously released from restriction, resulting in a material effect on the presentation of the September 30, 2020 consolidated financial statements. Adoption of this standard had no effect on change in net assets or net assets in total.

In 2016, FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. FH adopted the provisions of this new standard during the year ended September 30, 2020. This standard provides guidance for the accounting of equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Adoption of this standard had no effect on change in net assets or net assets in total.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Fair values of assets measured on a recurring basis are:

	Fair Value Measurements at September 30, 2020			September 30, 2019 Total
	Level 1	Level 2	Total	
Investments:				
Money market funds	\$ 271,028	\$ -	\$ 271,028	\$ 81,539
Common stock	16	-	16	33
Exchange-traded funds	341,022	-	341,022	247,686
Mutual funds	6,578,206	-	6,578,206	2,363,280
	7,190,272	-	7,190,272	2,692,538
Government bonds	-	2,942,482	2,942,482	-
Treasury bills	-	-	-	6,993,893
	-	-	-	6,993,893
Total investments	\$ 7,190,272	\$ 2,942,482	10,132,754	9,686,431

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

	September 30,	
	2020	2019
Less long-term investments:		
Annuity assets held in investments	(1,545,181)	(1,322,241)
Child Vocational Scholarship Fund held as investments	(1,485,362)	(1,370,297)
Current investments	\$ 7,102,211	\$ 6,993,893

Methods and assumptions used by FH in estimating fair values are:

Money market funds, exchange-traded funds, common stock, and mutual funds—fair value is based on quoted market prices in an active market.

Treasury bills and government bonds—fair value is based on yields currently available on comparable securities of issuers with similar credit ratings.

Investment income (loss) consists of:

	Year Ended September 30,	
	2020	2019
Interest and dividends	\$ 206,145	\$ 385,338
Realized and unrealized gains (losses) on investments	52,404	(6,670)
Impairment on Faulu Microfinance Bank Limited	(859,266)	-
	\$ (600,717)	\$ 378,668

4. ENDOWMENT FUNDS:

FH's endowment consists of one individual fund established for the provision of scholarships and included investments \$1,485,362 and \$1,370,297, as of September 30, 2020 and 2019, respectively. FH's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by FH in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, FH considers factors such as duration and preservation of the fund, general economic conditions, purposes the fund, etc. in making a determination to appropriate or accumulate donor-restricted endowment funds.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

4. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund is:

	September 30, 2020			September 30, 2019 Total
	With Donor Restrictions	Restricted in Perpetuity	Total	
Donor-restricted endowment funds	\$ 985,362	\$ 500,000	\$ 1,485,362	\$ 1,370,297
Total endowment funds	\$ 985,362	\$ 500,000	\$ 1,485,362	\$ 1,370,297

Changes in endowment net assets consist of:

	Year Ended September 30, 2020			Year Ended September 30, 2019 Total
	With Donor Restrictions	Restricted in Perpetuity	Total	
Endowment net assets, October 1, 2019	\$ 870,297	\$ 500,000	\$ 1,370,297	\$ 1,376,011
Investment return:				
Interest and dividend income	26,462	-	26,462	27,823
Realized and unrealized gains	164,043	-	164,043	27,403
Total investment return	190,505	-	190,505	55,226
Appropriation of endowment assets for expenditure	(75,440)	-	(75,440)	(60,940)
Endowment net assets, September 30, 2020	\$ 985,362	\$ 500,000	\$ 1,485,362	\$ 1,370,297

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires FH to retain as a fund of perpetual duration. There were no deficiencies as of September 30, 2020 and 2019.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

4. ENDOWMENT FUNDS, continued:

Return objectives and risk parameters: FH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FH must hold in perpetuity. Under this policy, as approved by FH's Board, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. FH expects its endowment funds, over time, to provide an average rate of return of approximately five percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, FH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: By prior agreement with one of its national organizations, FH distributes five percent of its principal endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

5. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects FH's financial assets reduced by amounts not available for general use within one year, as of September 30, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the board of directors has set aside funds.

	September 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 36,977,890	\$ 13,751,375
Investments	7,102,211	6,993,893
Grants and other receivables	5,497,306	2,655,811
Annuity assets and reinsurance contract	1,613,130	1,395,098
Other long-term assets	81,434	80,343
Investment in affiliate companies	3,436,338	4,295,604
Child Vocational Scholarship Fund	1,485,362	1,370,297
	56,193,671	30,542,421
Less those unavailable for general expenditures within one year, due to:		
Reinsured annuity assets	(67,949)	(72,857)
State required reserves	(689,375)	(700,462)
Cash surrender value of life insurance	(81,434)	(80,343)
Investment in affiliate companies	(3,436,338)	(4,295,604)
Board-designated funds	(9,900,000)	-
Assets held for endowment fund not expected to be distributed within 12 months	(1,402,262)	(1,310,297)
	(1,402,262)	(1,310,297)
Financial assets available to meet cash needs for general expenditures within one year	\$ 40,616,313	\$ 24,082,858

FH regularly monitors the liquidity required to meet its operating needs. FH has various sources of liquidity at its disposal including cash and cash equivalents, short-term investments, and a \$2,300,000 line of credit (see Note 14). A significant portion of FH's revenue either recurs on a monthly basis (i.e. Child Sponsorship revenue) or is earned under reimbursement arrangements with large donors such as the U.S. government. Both of these earnings streams are highly predictable and reduce the risk of liquidity shortfalls from near-term revenue interruptions. In addition, many of our donors provide funds to FH in advance of the need to expend the funds which provides a significant short-term liquidity benefit.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

5. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

The financial assets available as of September 30, 2020 and 2019 to meet cash needs for general expenditures within one year will be used primarily to fund donor restricted programs and current liabilities. As of September 30, 2020 and 2019, \$20,158,968 and \$15,789,948, respectively, is required to fund donor restricted commitments and \$15,151,306 and \$7,843,709, respectively, is required to fund current liabilities.

As of September 30, 2019, FH had \$3,568,560 of property held for sale (see Note 2 for further description). This property was liquidated during the year ended September 30, 2020 and a gain of \$284,440 was recorded (see Note 2).

6. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

	September 30,	
	2020	2019
Prepaid expenses	\$ 2,634,543	\$ 2,058,619
Program advances	10,707	98,208
Cash surrender value of life insurance	81,434	80,343
Inventory	6,548,667	1,056,206
Security deposits	162,206	151,095
	<u>9,437,557</u>	<u>3,444,471</u>
Less long-term other assets	<u>(81,434)</u>	<u>(80,343)</u>
	<u>\$ 9,356,123</u>	<u>\$ 3,364,128</u>

7. INVESTMENT IN AFFILIATE COMPANIES:

Investment in affiliate companies consist of:

	September 30,	
	2020	2019
Investment in Faulu Kenya—cost method	\$ 3,323,498	\$ 4,182,764
Investment in Faulu Uganda—cost method	112,840	112,840
	<u>\$ 3,436,338</u>	<u>\$ 4,295,604</u>

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

8. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment consist of:

	September 30,	
	2020	2019
Land	\$ 1,270,730	\$ 1,270,730
Buildings and improvements	1,921,239	1,921,239
Furniture and fixtures	354,207	384,164
Office equipment	653,065	530,364
Computer equipment	1,260,328	1,268,419
Computer software	1,341,360	1,162,278
Vehicles	3,658,439	3,649,134
	10,459,368	10,186,328
Less accumulated depreciation	(7,345,669)	(6,830,634)
Land, buildings and equipment–net	3,113,699	3,355,694
Less obligations for equipment and vehicle loans payable	-	(23,212)
Net investment in land, buildings, and equipment	\$ 3,113,699	\$ 3,332,482
Depreciation expense	\$ 625,528	\$ 547,224

Management has reviewed the assets in other countries and, in its opinion, determined they are under control and ownership of FH. While such items are recognized as assets of FH, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while FH believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

9. LOANS PAYABLE:

Loans payable consist of:

	September 30,	
	2020	2019
Paycheck Protection Program loan, monthly payments of \$136,536 beginning August 2021, payable to a bank with an interest rate of 1% maturing in July 2023. The loan is fully forgivable provided FH meets certain spending and employment thresholds in line with the criteria of the program.	\$ 3,204,643	\$ -
Various loans payable to a company in the amount of \$300,000 and \$200,000, with monthly principal and interest payments of \$5,660 and \$3,774, respectively, with interest calculated at 5%, secured by vehicles. Loans matured March 2020.	-	23,212
	\$ 3,204,643	\$ 23,212

Loans payable mature during the year ending September 30, 2022. FH was in compliance with all financial and reporting covenants as of September 30, 2020. FH believes it will meet the thresholds required and intends to apply for forgiveness of the Paycheck Protection Program loan. Should forgiveness not be obtained, future minimum payments are:

Year Ending September 30,	
2021	\$ 363,871
2022	1,617,123
2023	1,223,649
	\$ 3,204,643

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

10. NET ASSETS:

Net assets without donor restrictions consist of:

	September 30,	
	2020	2019
Gift-in-kind inventory–undesignated	\$ 1,633,483	\$ 390,084
Undesignated–operating	12,265,119	9,770,288
Board-designated:		
Strategic operational reserve	6,000,000	-
Phoenix building	3,900,000	-
Investment in affiliate companies	3,436,338	4,295,604
	\$ 27,234,940	\$ 14,455,976

Net assets with donor restrictions consist of:

	September 30,	
	2020	2019
Restricted by purpose or time:		
Relief efforts and international projects	\$ 6,113,967	\$ 5,104,683
International staff support	103,178	150,992
Child sponsorship	12,015,673	8,857,460
Child Vocational Scholarship Fund	985,362	870,297
Other	440,788	306,516
	19,658,968	15,289,948
Restricted in perpetuity:		
Endowment net assets	500,000	500,000
	\$ 20,158,968	\$ 15,789,948

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

11. GIFTS-IN-KIND:

FH receives donations of gifts-in-kind for use in programs that support its mission and purpose. Such gifts are recorded at their estimated fair value at the date of donation based on the quantities donated, their condition, and utility for use. Gift-in-kind contributions were provided by the following donation sources for the years ended September 30, 2020 and 2019:

	Year Ended September 30,	
	2020	2019
United States Agency for International Development (USAID)	\$ 11,729,062	\$ 9,167,983
For-profit corporations	8,019,986	4,562,784
Non-profit corporations	2,659,443	6,206,894
	<u>\$ 22,408,491</u>	<u>\$ 19,937,661</u>

USAID

FH receives vegetable oil and other agricultural commodities from USAID or through subservice organizations of USAID, which are valued using guidelines published by the United States Department of Agriculture and the USAID.

For-Profit Corporations

FH receives non-FDA (Food and Drug Administration) deworming medicines from a for-profit corporation, which are valued based on purchased survey data from surrounding countries to determine fair value based on the price wholesalers paid to manufacturers.

Non-Profit Corporations

FH receives non-FDA deworming medicines, vitamins, wheelchairs, medical equipment and supplies, dehydrated soup, school kits, and water filters from various non-profit organizations. Non-FDA deworming medicines and US agricultural commodities are valued as stated above. The remaining items are valued using estimated fair value on the date of the gift.

A significant number of volunteers have donated substantial amounts of time to FH's programs, fundraising, and administrative activities that are not included in the accompanying consolidated financial statements, as the services provided do not meet the required accounting criteria to be recognized by accounting standards generally accepted in the United States.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

11. GIFTS-IN-KIND, continued:

FH distributes gifts-in-kind for direct program use and to other agencies/organizations in support of FH's mission. Gifts-in-kind distributed, included within direct relief and development expenses within the consolidated statement of functional expenses, during the years ended September 30, 2020 and 2019 totaled \$21,128,350 and \$21,089,997, respectively. FH only records the value of the gifts-in-kind over which it receives and exercises variance power, the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

As of September 30, 2020 and 2019, FH had approximately \$6,549,000 and \$1,056,000, respectively, of gifts-in-kind and government commodities that had not been distributed by FH Association, which is reflected as inventory and included in prepaid expenses and other assets on the consolidated statement of financial position.

12. RETIREMENT PLAN:

FHUS has a defined contribution pension plan covering substantially all employees over 18 years of age. FHUS makes discretionary contributions based on a percentage of salary, and employees may make additional contributions. Starting during the year ended September 30, 2019, vesting in FHUS contributions occurs immediately.

All full-time FH Association employees whose employment agreement is directed by the Switzerland charter (rather than a field office), who are non-US citizens/residents, who have attained the age of 21, and have completed one year of service are eligible to participate in a noncontributory defined contribution benefit plan. Vesting in employer paid contributions is based on years of service, which reaches 100% after 5 years of cumulative service in any FH Association field. Retirement benefit expense under the FHUS and FH Association plans amounted to approximately \$628,000 and \$592,000, for the years ended September 30, 2020 and 2019, respectively.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

13. OPERATING LEASES:

As part of its exempt activities, FH has incurred certain obligations and commitments relating to office equipment and rental properties. Lease expense approximated \$2,038,000 and \$1,878,000 for the years ended September 30, 2020 and 2019, respectively. Future minimum payments required under non-cancelable operating leases are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 1,598,008
2022	1,062,486
2023	777,467
2024	663,596
2025	367,387
	<hr/>
	\$ 4,468,944
	<hr/> <hr/>

14. LINE OF CREDIT:

FH has a line of credit with a financial institution in the amount of \$2,300,000, with a variable interest rate, effectively 3.75% as of September 30, 2020 and 2019, with principal and interest due upon maturity in August 2023. As of September 30, 2020 and 2019, there were no outstanding borrowings under this agreement.

15. CONTINGENCIES:

FH Association received food donations for monetization and direct distribution under Title II, Food Security from USAID to further charitable activities in Bolivia. The government of Bolivia has asserted that charities working under certain grants from 2002 forward were not covered by various bilateral agreements between the U.S. and Bolivia. Therefore, the government of Bolivia has claimed that significant import taxes are owed on food donations. FH is defending its position in Bolivia courts and believes the matter will be resolved without payment by FH. No provision for tax assessment has been made in the accompanying consolidated financial statements.

FOOD FOR THE HUNGRY

Notes to Consolidated Financial Statements

September 30, 2020

(with summarized comparative financial information for the year ended September 30, 2019)

16. RELATED PARTY TRANSACTIONS:

In addition to the affiliated organization contributions disclosed in Note 2, FH paid approximately \$55,000 to one board member for legal services rendered during the year ended September 30, 2020. These services were not related to their duties as board members.

17. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of FH for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

18. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 19, 2021, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Directors
Food for the Hungry
Phoenix, Arizona

We have audited the consolidated financial statements of Food for the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc. as of and for the year ended September 30, 2020, and our report thereon dated February 19, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

We have previously audited the consolidated financial statements of Food for the Hungry, Inc., FH Association, and Food for the Hungry Foundation, Inc. as of, and for the year ended September 30, 2019, and our report dated January 31, 2020, expressed unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein in the consolidating statements of financial position and activities is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Capin Crouse LLP

Colorado Springs, Colorado
February 19, 2021

FOOD FOR THE HUNGRY

Consolidating Schedule of Financial Position

(with summarized comparative financial information for the year ended September 30, 2019)

	September 30,					2019
	2020				Total	
	Food for the Hungry, Inc.	FH Association	Food for the Hungry Foundation, Inc.	Eliminations		
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 16,666,999	\$ 20,310,891	\$ -	\$ -	\$ 36,977,890	\$ 13,751,375
Investments	7,102,211	-	-	-	7,102,211	6,993,893
Intercompany receivable	-	152,112	-	(152,112)	-	-
Grants and other receivables	4,901,408	3,946,280	-	(3,350,382)	5,497,306	2,655,811
Prepaid expenses and other assets	2,103,793	7,252,330	-	-	9,356,123	3,364,128
Property held for sale	-	-	-	-	-	3,568,560
	30,774,411	31,661,613	-	(3,502,494)	58,933,530	30,333,767
Annuity assets and reinsurance contract	1,508,416	-	104,714	-	1,613,130	1,395,098
Other long-term assets	81,434	-	-	-	81,434	80,343
Investment in affiliate companies	3,436,338	-	-	-	3,436,338	4,295,604
Land, buildings, and equipment, at cost-net	2,415,181	698,518	-	-	3,113,699	3,355,694
Child Vocational Scholarship Fund	1,485,362	-	-	-	1,485,362	1,370,297
Total Assets	\$ 39,701,142	\$ 32,360,131	\$ 104,714	\$ (3,502,494)	\$ 68,663,493	\$ 40,830,803
LIABILITIES AND NET ASSETS:						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,177,172	\$ 8,854,153	\$ -	\$ -	\$ 10,031,325	\$ 5,143,132
Intercompany payable	89,441	-	-	(89,441)	-	-
Grants payable	3,413,053	-	-	(3,413,053)	-	-
Deferred income	164,352	4,591,758	-	-	4,756,110	2,677,365
Loan payable-current portion	363,871	-	-	-	363,871	23,212
	5,207,889	13,445,911	-	(3,502,494)	15,151,306	7,843,709
Other long-term liabilities	-	2,675,946	-	-	2,675,946	2,129,147
Loan payable-net of current portion	2,840,772	-	-	-	2,840,772	-
Annuity obligations	601,561	-	-	-	601,561	612,023
	8,650,222	16,121,857	-	(3,502,494)	21,269,585	10,584,879
Net assets:						
Without donor restrictions-gift-in-kind inventory	-	1,633,483	-	-	1,633,483	390,084
Without donor restrictions-other	13,734,130	1,862,613	104,714	-	15,701,457	14,065,892
Without donor restrictions-board-designated	9,900,000	-	-	-	9,900,000	-
With donor restrictions	7,416,790	12,742,178	-	-	20,158,968	15,789,948
	31,050,920	16,238,274	104,714	-	47,393,908	30,245,924
Total Liabilities and Net Assets	\$ 39,701,142	\$ 32,360,131	\$ 104,714	\$ (3,502,494)	\$ 68,663,493	\$ 40,830,803

FOOD FOR THE HUNGRY

Consolidating Schedule of Activities

(with summarized comparative financial information for the year ended September 30, 2019)

	Year Ended September 30,					2019
	2020					
	Food for the Hungry, Inc.	FH Association	Food for the Hungry Foundation, Inc.	Eliminations	Total	
NET ASSETS WITHOUT DONOR RESTRICTIONS:						
SUPPORT, REVENUE, AND OTHER:						
Cash contributions:						
National Organizations	\$ 313,340	\$ 266,513	\$ -	\$ (313,340)	\$ 266,513	\$ 22,657
Other	6,315,437	-	1,365,540	(1,321,389)	6,359,588	3,893,424
U.S. government grants	-	-	-	-	-	42,452,638
Investment income (loss)	(886,961)	63,445	32,294	-	(791,222)	323,442
Change in value of annuities	223,778	-	-	-	223,778	91,749
Other income	315,894	312,294	-	-	628,188	1,109,338
Noncash support and revenue:						
U.S. government commodities provided for distribution	-	-	-	-	-	9,167,983
Other donated commodities	8,887,371	9,014,635	-	(8,887,371)	9,014,635	8,839,008
Net assets released from restrictions	136,554,533	104,928,330	-	(91,440,315)	150,042,548	83,960,723
Total Support, Revenue, and Other	151,723,392	114,585,217	1,397,834	(101,962,415)	165,744,028	149,860,962
EXPENSES:						
Program ministries	116,276,824	112,968,268	1,321,389	(101,962,415)	128,604,066	118,038,252
Supporting services:						
Fundraising	15,767,930	-	-	-	15,767,930	18,587,561
General and administrative	8,522,561	-	299	-	8,522,860	8,528,864
	24,290,491	-	299	-	24,290,790	27,116,425
Total Expenses	140,567,315	112,968,268	1,321,688	(101,962,415)	152,894,856	145,154,677
Change in Net Assets Before						
Foreign Currency Translation	11,156,077	1,616,949	76,146	-	12,849,172	4,706,285
Foreign currency translation adjustments	-	(70,208)	-	-	(70,208)	(127,966)
Change in Net Assets	11,156,077	1,546,741	76,146	-	12,778,964	4,578,319
Net Assets, Beginning of Year	12,478,053	1,949,355	28,568	-	14,455,976	9,877,657
Net Assets, End of Year	\$ 23,634,130	\$ 3,496,096	\$ 104,714	\$ -	\$ 27,234,940	\$ 14,455,976

(continued)

FOOD FOR THE HUNGRY

Consolidating Schedule of Activities

(with summarized comparative financial information for the year ended September 30, 2019)

(continued)

	Year Ended September 30,					2019
	2020					
	Food for the Hungry, Inc.	FH Association	Food for the Hungry Foundation, Inc.	Eliminations	Total	
NET ASSETS WITH DONOR RESTRICTIONS:						
SUPPORT, REVENUE, AND OTHER:						
Cash contributions:						
National Organizations	\$ -	\$ 34,804,253	\$ -	\$ (30,874,484)	\$ 3,929,769	\$ 4,409,745
Other governments	634,028	8,121,866	-	(634,028)	8,121,866	8,026,200
Other	66,601,117	3,460,467	-	-	70,061,584	70,861,915
U.S. government grants	58,718,805	50,533,585	-	(50,538,402)	58,713,988	-
Investment income	190,505	-	-	-	190,505	55,226
Noncash support and revenue:						
U.S. government commodities provided for distribution	11,182,071	9,940,392	-	(9,393,401)	11,729,062	-
Other donated commodities and services	-	1,664,794	-	-	1,664,794	1,930,670
Net assets released from restrictions	(136,554,533)	(104,928,330)	-	91,440,315	(150,042,548)	(83,960,723)
Change in Net Assets	771,993	3,597,027	-	-	4,369,020	1,323,033
Net Assets, Beginning of Year	6,644,797	9,145,151	-	-	15,789,948	14,466,915
Net Assets, End of Year	<u>\$ 7,416,790</u>	<u>\$ 12,742,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,158,968</u>	<u>\$ 15,789,948</u>