



**FOOD FOR THE POOR, INC.**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2020

## FOOD FOR THE POOR, INC.

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Audit Committee  
Food for the Poor, Inc.  
Coconut Creek, Florida

We have audited the accompanying financial statements of Food for the Poor, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for the Poor, Inc. as of December 31, 2020, 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.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
June 2, 2021

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2020

**ASSETS**

CURRENT ASSETS	
Cash and cash equivalents	\$ 32,778,021
Contributions receivable	1,909,186
Promises to give, net	2,381,585
Goods pending distribution	11,794,954
Prepaid expenses	1,490,716
Investments	12,948,278
Other assets	348,475
TOTAL CURRENT ASSETS	63,651,215
PROMISES TO GIVE, net of current portion	1,607,938
PROPERTY, BUILDING AND EQUIPMENT, at cost, less accumulated depreciation	11,747,939
TOTAL ASSETS	<u>\$ 77,007,092</u>

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 6,137,966
TOTAL CURRENT LIABILITIES	6,137,966
PAYCHECK PROTECTION PROGRAM LOAN	4,593,057
NET ASSETS	
Without donor restrictions	60,251,933
With donor restrictions	6,024,136
TOTAL NET ASSETS	66,276,069
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 77,007,092</u>

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE</b>			
Contributions:			
Cash	\$ 142,697,304	\$ -	\$ 142,697,304
Donated goods	608,035,948	-	608,035,948
Promises to give	306,450	3,864,875	4,171,325
Investment earnings	92,860	27,484	120,344
Other income	123,721	-	123,721
Net assets released from restrictions	579,568	(579,568)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>751,835,851</b>	<b>3,312,791</b>	<b>755,148,642</b>
<b>EXPENSES</b>			
Program services:			
Educational	17,157,619	-	17,157,619
Basic needs	166,480,109	-	166,480,109
Healthcare	447,063,186	-	447,063,186
Community support and development	46,318,459	-	46,318,459
Total program services	677,019,373	-	677,019,373
Supporting services:			
Fundraising	37,536,316	-	37,536,316
Management and general	12,970,064	-	12,970,064
Total supporting services	50,506,380	-	50,506,380
<b>TOTAL EXPENSES</b>	<b>727,525,753</b>	<b>-</b>	<b>727,525,753</b>
<b>CHANGE IN NET ASSETS</b>	<b>24,310,098</b>	<b>3,312,791</b>	<b>27,622,889</b>
NET ASSETS - Beginning	35,941,835	2,711,345	38,653,180
NET ASSETS - Ending	\$ 60,251,933	\$ 6,024,136	\$ 66,276,069

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2020

	Program Services					Supporting Services			
	Educational Programs	Basic Needs Programs	Healthcare Programs	Community Support & Development Programs	Total	Fundraising Expenses	Management and General Expenses	Total	Totals
Food, medical and other commodities	\$ 11,744,298	\$ 135,300,214	\$ 440,503,960	\$ 30,082,046	\$ 617,630,518	\$ -	\$ -	\$ -	\$ 617,630,518
Grants and other assistance	4,216,830	19,230,257	3,519,674	13,942,545	40,909,306	-	-	-	40,909,306
Salaries and related expenses	295,293	2,324,050	584,540	605,704	3,809,587	15,458,107	7,917,860	23,375,967	27,185,554
Freight	859,363	9,296,337	2,372,200	1,602,354	14,130,254	-	-	-	14,130,254
Printed materials and publicity	916	7,211	1,814	1,879	11,820	14,498,753	44,231	14,542,984	14,554,804
Postage	2,054	16,168	4,066	4,214	26,502	6,055,682	45,267	6,100,949	6,127,451
Travel	3,954	31,116	7,826	8,110	51,006	365,462	13,446	378,908	429,914
Other office expenses	3,928	30,916	7,776	8,057	50,677	70,623	1,251,300	1,321,923	1,372,600
Professional services	2,034	16,010	4,027	4,173	26,244	430,483	900,225	1,330,708	1,356,952
Depreciation	9,881	77,765	19,559	20,267	127,472	84,982	326,642	411,624	539,096
Office supplies	1,026	8,077	2,031	2,105	13,239	119,320	149,643	268,963	282,202
Data processing	4,501	35,425	8,910	9,233	58,069	274,250	1,300,964	1,575,214	1,633,283
Repairs and maintenance	7,899	62,166	15,636	16,202	101,903	69,484	75,021	144,505	246,408
Insurance	-	-	-	-	-	659	274,339	274,998	274,998
Courier and miscellaneous freight	1,016	7,994	2,011	2,083	13,104	47,518	3,275	50,793	63,897
Telephone	1,233	9,701	2,440	2,528	15,902	31,813	87,133	118,946	134,848
Occupancy	3,393	26,702	6,716	6,959	43,770	29,180	31,264	60,444	104,214
<b>Total expenses before uncollectible pledges</b>	<b>17,157,619</b>	<b>166,480,109</b>	<b>447,063,186</b>	<b>46,318,459</b>	<b>677,019,373</b>	<b>37,536,316</b>	<b>12,420,610</b>	<b>49,956,926</b>	<b>726,976,299</b>
Uncollectible pledges	-	-	-	-	-	-	549,454	549,454	549,454
<b>Total expenses</b>	<b>\$ 17,157,619</b>	<b>\$ 166,480,109</b>	<b>\$ 447,063,186</b>	<b>\$ 46,318,459</b>	<b>\$ 677,019,373</b>	<b>\$ 37,536,316</b>	<b>\$ 12,970,064</b>	<b>\$ 50,506,380</b>	<b>\$ 727,525,753</b>

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 27,622,889
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	539,096
Unrealized gain on investments	(32,146)
Provision for losses on promises to give	549,454
Change in in-kind goods pending distribution	(8,853,549)
Decrease (increase) in operating assets:	
Contributions receivable	(1,491,856)
Promises to give	(712,313)
Goods pending distribution	56,853
Prepaid expenses	(533,635)
Other assets	(223,478)
Increase in operating liabilities:	
Accounts payable and accrued liabilities	315,790
	<u>17,237,105</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>17,237,105</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(12,507,698)
Acquisition of property and equipment	(196,179)
	<u>(12,703,877)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(12,703,877)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Payroll Protection Program loan	4,593,057
	<u>4,593,057</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>4,593,057</u>
NET INCREASE IN CASH	9,126,285
CASH, BEGINNING OF YEAR	<u>23,651,736</u>
CASH, END OF YEAR	<u><u>\$ 32,778,021</u></u>

See Notes to Financial Statements



## FOOD FOR THE POOR, INC.

### NOTES TO FINANCIAL STATEMENTS

#### ( 1 ) **Nature of activities and summary of significant accounting policies**

**Nature of activities** - Food for the Poor, Inc. (the "Organization") is a not-for-profit corporation engaged in the collection and distribution of money, food, clothing, medicine and other goods to improve the health, economic and social conditions of indigent poor throughout the world. Activities are concentrated in the Caribbean and Latin America.

To help fulfill its mission, the Organization establishes projects throughout the year. These non-contractual programs are budgeted and funded over the course of the year. However, funding for some of these projects may extend beyond the year end. The balance to be apportioned based on project budgets as of December 31, 2020 was approximately \$15,384,000.

**Going concern evaluation** - On an annual basis, as required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements - Going Concern*, the Organization performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), 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 available to be issued. Management has concluded that there is no material uncertainty related to a going concern through the date of the independent auditors' report.

**Basis of accounting and presentation** - The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("US GAAP") which requires that the Organization report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets available for general use and are not subject to donor restrictions. Net assets without donor restriction also include the investment in property, building, and equipment, net of accumulated depreciation, and contributions receivable.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets at December 31, 2020 where the donor-imposed restriction was perpetual in nature.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Basis of accounting and presentation (continued)**

The Organization classifies program services into the following categories:

*Educational* - The Organization provides educational supplies such as school furniture, books, computers, etc. as well as funding to build schools.

*Basic Needs* - The Organization provides support for basic needs such as food, clothing, and shelter.

*Healthcare* - The Organization provides medicine, medical clinics, and medical supplies to poor families in developing countries.

*Community Support and Development* - The Organization provides funding and support to help poor families with development and self-help projects such as animal husbandry, fruit tree nurseries, fishing villages, and aquaculture ponds so that families can generate income.

**Fair value measurements** – FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization recognizes transfers between levels once annually at each year end.

**Cash and cash equivalents** - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Contributions receivable** - Contributions receivable represent contributions without donor restrictions that are awaiting settlement by one of the Organization's credit card merchants. Such settlements occur generally within one week.

**Promises to give** - Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that included donor imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions.

The Organization uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization also discounts to present value the estimated future cash flows using an appropriate market rate of interest for its promises to give greater than one year. Therefore, promises to give are recorded at their net realizable value.

**Goods pending distribution** - The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value using the valuation methods described below and the purchased goods are stated at cost at the time of purchase. At December 31, 2020, the Organization had approximately \$11,795,000 of goods pending distribution.

**Investments** - Investments are stated at their estimated fair value. Investments received by gift are initially recorded at the estimated fair value at the date of receipt. In recording investment income, such income is recorded as a change in net assets with or without donor restrictions depending on any donor stipulations on the use of income. Investment earnings is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Property, building and equipment** - Acquisitions of property, building and equipment in excess of \$1,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property, building and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land is reported at cost. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Other repairs and maintenance are charged to expense as incurred.

Donations of property, building and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Contributions** - Contributions are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Contributed services are recognized as contributions at their estimated fair value, 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. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

The Organization classifies contributions received with donor-imposed restrictions where the restrictions are satisfied in the same reporting period as contributions without donor restrictions.

**Gifts-in-kind** - Gifts-in-kind ("GIK") received through private donations are recorded and valued as revenue at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal or most advantageous market, even though, in fulfillment of its mission, the Organization may not distribute goods in the principal or most advantageous market.

Non-pharmaceutical GIK contributions received are valued at their estimated wholesale value as provided by the donor or, in the absence of the donor's reasonable valuation, estimated by the Organization using like-kind analyses and past donation history.

The Organization embraces the strategy of continual improvement and periodically evaluates industry trends and available data with the goal of providing the most accurate estimates for its GIK valuations. After an evaluation of these trends and data and beginning January 1, 2020, pharmaceutical GIK contributions received are valued using costing data acquired from recognized and published resources and are valued at their estimated National Average Drug Acquisition Cost ("NADAC") on a drug by drug basis. If NADAC is not available, such items are valued at their estimated wholesale acquisition cost ("WAC") also on a drug by drug basis. If WAC is not available in any published source, the Organization will refer to the donor's value. NADAC costs are transactional wholesale costs (wholesale value less discounts, incentives, etc.), whereas WAC values are manufacturers' published wholesale values (no discounts, incentives, etc.).

This current valuation policy most resembles one used by a wholesale distributor of goods, which is the market role the Organization has in the acquisition and shipment of pharmaceutical donations. Pharmaceutical GIK contributions acquired from non-U.S. donors for products legally permissible to be sold outside the United States are valued in U.S. dollars based upon the wholesale market price of the countries representing the principal exit markets for those products.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Gifts-in-kind (continued)**

GIK expenses are recorded when the goods are shipped for program use, generally to third party aid organizations.

At times, the Organization may act as intermediary between donors and other organizations in the transfer of GIK. Such transactions are not reflected on the Organization's statement of financial position or statement of activities. GIK related to these transactions is valued in the same manner previously described. For the year ended December 31, 2020, the Organization acted as an intermediary for GIK with an estimated value of approximately \$1,700,000.

**Freight** - Shipping and handling costs are included in goods pending distribution in the accompanying statement of financial position upon receipt of goods and are expensed and included in freight costs in the accompanying statement of activities upon the shipment to recipients.

**Functional expenses** - The cost of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Directly identifiable expenses are charged to the respective program and supporting services.

Expenses related to more than one function are initially charged to programs and supporting services primarily based on a percentage of estimated utilized square footage of the Organization's facility. Expenses related to more than one program are allocated based on a percentage of the number of containers shipped and/or the number of on-going projects related to the type of program. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Advertising** - Advertising costs are expensed as incurred and were approximately \$507,000 for the year ended December 31, 2020 and are included with printed materials and publicity in the accompanying statement of functional expenses.

**Use of estimates** - The accompanying financial statements have been prepared in conformity with US GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of support and revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant of these estimates relates to the estimation of the fair value of GIK. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

## FOOD FOR THE POOR, INC.

### NOTES TO FINANCIAL STATEMENTS

#### ( 1 ) Nature of activities and summary of significant accounting policies (continued)

**Income taxes** - The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and is exempt from Federal income taxes, except that unrelated business income is taxable. The Organization had no material unrelated business income during the year ended December 31, 2020. US GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2017.

**Recent accounting pronouncements** - In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in ASU 2018-18 are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-18 for transactions in which it serves as the resource recipient on January 1, 2019 using a modified prospective method. Adoption did not have a material impact on the Organization's financial statements. The Organization applied the amendments related to transactions in which it serves as the resource provider on January 1, 2020 using a modified prospective method. Adoption did not have a material impact on the Organization's financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase transparency of contributed non-financial assets for not-for-profit entities through enhancements to presentation and disclosure and applies to all not-for-profit entities. The amendments in ASU 2020-07 should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently assessing the impact ASU 2020-07 may have on its financial statements.

## FOOD FOR THE POOR, INC.

### NOTES TO FINANCIAL STATEMENTS

#### ( 2 ) Liquidity and Availability

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and cash equivalents, investments, contributions receivable, and promises to give.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of distributing goods and funds to the poor as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following tables show the total financial assets held by the Organization and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at December 31, 2020.

Financial assets at year end:

Cash and cash equivalents	\$ 32,778,021
Investments	12,948,278
Contributions receivable	1,909,186
Promises to give, net	<u>2,381,585</u>
Total financial assets at year end	<u>\$ 50,017,070</u>

Financial assets available to meet general expenditures over the next 12 months:

Cash and cash equivalents	\$ 32,778,021
Investments	12,514,730
Contributions receivable	1,909,186
Promises to give for general expenditures due in one year or less	<u>1,493,704</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 48,695,641</u>

#### ( 3 ) Concentrations of risk

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash and cash equivalents and support from major contributors.

**Cash and cash equivalents** - As of December 31, 2020, the Organization had cash and cash equivalent balances of approximately \$17,000,000 in excess of Federal Deposit Insurance Corporation ("FDIC") limits. As of December 31, 2020, approximately \$11,400,000 of cash equivalents are held at one brokerage and not FDIC insured. The Organization maintains its cash and cash equivalents with high quality financial institutions which the Organization believes limits its risks.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 3 ) Concentrations of risk (continued)**

**Support from major contributors** - The Organization received approximately 46% of total support and revenue from three donors during 2020. These contributions were in the form of donated goods.

As of December 31, 2020, approximately 84% of gross promises to give were due from three donors.

**( 4 ) Promises to give**

Promises to give consist of the following at December 31, 2020:

Receivable in less than one year	\$	2,381,584
Receivable in one to five years		<u>2,315,386</u>
Total promises to give		4,696,970
Less: allowance for uncollectible promises to give		(700,000)
Less: discount to present value		<u>(7,447)</u>
Net promises to give	\$	<u><u>3,989,523</u></u>

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of .17% for the year ended December 31, 2020.

**( 5 ) Investments**

The following table summarizes the valuation of the Organization's investments by ASC 820 defined categories as of December 31, 2020.

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Fixed Income				
Exchange-traded funds	\$ 2,276,735	\$ -	\$ -	\$ 2,276,735
Mutual funds	<u>9,620,308</u>	<u>-</u>	<u>-</u>	<u>9,620,308</u>
	11,897,043			11,897,043
Equities				
Exchange-traded funds	792,206	-	-	792,206
Bank Deposits	<u>259,029</u>	<u>-</u>	<u>-</u>	<u>259,029</u>
	<u>\$ 12,948,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,948,278</u>



**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 5 ) Investments (continued)**

The following is a description of the valuation methodologies used for Organization's significant investment assets measured at fair value as of December 31, 2020.

Exchange-traded funds – Valued at the market price as reported by the fund. Exchange traded funds are registered with the Securities and Exchange Commission (“SEC”). The funds allow intraday trading at market values derived from the underlying securities of the companies comprising the related index. These funds are deemed to be actively traded.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds are deemed to be actively traded.

Bank deposits – The carrying amount approximates the fair value due to the short maturities of these instruments.

The portion of unrealized gains for the year ended December 31, 2020 that relates to equity securities still held at December 31, 2020 is approximately \$32,000.

**( 6 ) Property, building and equipment**

Property, building and equipment consist of the following at December 31, 2020:

		<b><u>Estimated Useful Lives</u></b>
Land	\$ 3,952,143	-
Land improvements	1,030,140	20 years
Building	10,095,555	40 years
Furniture and fixtures	815,583	7 years
Equipment	2,796,177	5-10 years
Vehicles	<u>181,370</u>	5 years
	18,870,968	
Less: accumulated depreciation	<u>(7,123,029)</u>	
Total property, building and equipment, net	<u>\$ 11,747,939</u>	

Depreciation expense for the year ended December 31, 2020 was approximately \$539,000.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 7 ) Gift annuities**

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$111,000 at December 31, 2020 and called for the Organization to make fixed annual payments to the donors in future years. The Organization has agreements with two top rated insurance companies whereby the insurance companies would assume the annuity payment liabilities. The liability represents the present value of the future payouts using an average discount rate of 2.2%. The Organization pays the insurance company the present value of the annuities.

The Organization remains contingently liable for the future payments on the gift annuities in the event that the insurance companies default on the payments. As of December 31, 2020, the Organization was contingently liable for reinsured gift annuities totaling approximately \$5,203,000.

**( 8 ) Paycheck Protection Program loan**

The Organization applied for and received a forgivable Paycheck Protection Program Loan of approximately \$4,600,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The loan was funded on April 20, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through October 4, 2020 and that certain employment levels are maintained.

To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is to be repaid no later than two years from the date that the Organization is notified of the amount that is not forgiven and carries an interest rate of 1.00%. The Organization believes that it has used all of the proceeds for eligible costs and expects the entire loan to be forgiven. Upon receipt of a legal release from the obligation, the Organization will record a gain on the extinguishment of debt equal to the amount forgiven.

**( 9 ) Net assets with donor imposed restrictions**

Net assets with donor imposed restrictions are available for the following as of December 31, 2020:

Promises to give (time restrictions)	\$ 1,328,995
Promises to give (purpose restrictions)	4,408,642
Goods and aid	<u>286,499</u>
Net assets with donor imposed restrictions	<u><u>\$ 6,024,136</u></u>

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 9 ) Net assets with donor imposed restrictions (continued)**

Net assets with donor imposed restrictions were released during the year ended December 31, 2020 for the following purposes:

Satisfactions of promises to give (time restrictions)	\$ 579,168
Goods and aid distributed	<u>400</u>
Total net assets released from donor imposed restrictions	<u>\$ 579,568</u>

**( 10 ) Related parties and other organizations**

**Associated charities** - The Organization is associated with four charities. These charities were established with the name "Food for the Poor – (country name)" and are based in Canada, Jamaica, Haiti and Guyana. Except for Food for the Poor – Canada, each of the charities operates distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2020, the Organization made distributions of approximately \$354,642,000 to these associated charities.

**Related charities** - The Organization distributes goods through various charities in which some board members hold executive positions. In 2020, the Organization made distributions of approximately \$1,339,000 through these related charities.

**Distributions** - Program expenses in the accompanying statement of activities includes the distributions made to associated and related charities totaling approximately \$355,981,000, of which approximately \$21,225,000 was in cash and approximately \$334,756,000 was in goods for the year ended December 31, 2020.

**( 11 ) Contingencies and subsequent event**

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended December 31, 2020.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 11 ) Contingencies and subsequent event (continued)**

Certain grants awarded by the U.S. Government are subject to appropriations and funding thereof that may result in delays or even suspension of funding as a result of U.S. Government budgetary constraints imposed by the U.S. Congress.

On March 12, 2018, the Organization received a partial Cease and Desist Order (the "Order") from the Attorney General of California that allowed the Organization to fundraise and operate in the State, but required the Organization to remove certain specific language from its solicitations. The Organization denied any wrongdoing and retained legal counsel. A hearing was held that ended on December 12, 2018 and subsequent oral arguments were finalized in August 2019. On September 6, 2019, the Administrative Judge published their decision and found that the State did not prove its case regarding improper GIK valuation and had not proved there was any violation of the Organization's application of US GAAP in their financial statements. However, the Administrative Judge determined that the Organization was misleading in the language contained in certain solicitations and allowed the State of California to assess a fine of \$1,000,000, which would not be due until after an appeal process is exhausted.

Pursuant to California rules of procedure, the Organization notified the Attorney General and the Administrative Hearings Office of its intent to appeal. The appeal was filed on May 8, 2020. On March 18, 2021, the California Superior Court issued a decision in favor of the Organization vacating the Cease and Desist Order and the \$1,000,000 fine. The Attorney General has the right to file an appeal with the Circuit Court of Appeals in California. The outcome of the appeal, should it be filed, will not impact the ruling regarding the Cease and Desist Order and the \$1,000,000 fine.

In 2018 and years prior, the Organization received correspondence from several states including Utah, Minnesota and South Carolina relating to their charity registrations. To date, no additional information has been requested from the Organization by any of the aforementioned states and no action has been taken against the Organization, nor has the Organization been notified that any such action is imminent or probable. In July 2019, the Organization met with the Florida Attorney General's office to discuss the Organization's solicitation materials and its validation process for documenting receipt of program grants and provided requested documentation in August 2019. There has been no additional inquiry, nor has the Organization been notified that any further action is forthcoming.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 12 ) Retirement plan**

The Organization maintains a 403(b)(7) ERISA Title 1 Plan which covers all employees. Participants may elect to contribute up to 100% of their wages, as limited by current federal tax law. Additionally, the Organization matches 50% of participating employees' contributions up to the first 6% of their salary deferral. For 2020, the Organization accrued approximately \$406,000 of contributions to this plan all of which is included in accounts payable and accrued liabilities in the accompanying statement of financial position and salaries and related expenses in the accompanying statement of functional expenses. The assets of the 403(b)(7) Plan are the property of the Plan's participants and their beneficiaries; therefore, the assets of the Plan are not included in the accompanying financial statements.

**( 13 ) COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, has adversely affected workforces, customers, and economies. It has also disrupted the normal operations of many businesses, including the Organization. In response to the pandemic, many of the Organization's employees began and continue to effectively work remotely. As disclosed in Note 8, the Organization applied for and received a Paycheck Protection Program Loan which allowed the Organization to maintain employees at their salary levels. As a result of the pandemic, certain expenses such as travel and freight costs decreased from the prior year due to restrictions imposed on domestic and international travel and the complication in clearing the goods through the maritime ports. In contrast, printing materials and publicity costs increased as the Organization increased its use of responsible, socially distant fundraising efforts. Despite the pandemic, during the year ended December 31, 2020, the Organization was successful in raising funds to maintain the operations of the Organization and in helping to provide relief and aid to those that they serve.

**( 14 ) Subsequent events**

Management has evaluated subsequent events through June 2, 2021, which is the date that the financial statements were available to be issued.

On May 7, 2021, the Organization submitted its application to its lender for full forgiveness of the Paycheck Protection Program Loan described in Note 8. The Organization has yet to receive a response regarding the forgiveness of this loan from its lender.

Except for the matter described above and in Note 11, the Organization is not aware of any other events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the accompanying financial statements.