CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feed the Children, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Feed the Children, Inc. and its subsidiaries and affiliates (Feed the Children), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Feed the Children as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hogan Taylor LLP

Oklahoma City, Oklahoma
December 17, 2021

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 6,852,193	$ 5,521,977
Accounts receivable	699,064	263,185
Contributions receivable	23,195,403	12,017,328
Investments	37,890,849	23,321,974
Inventory, net	121,652,024	90,861,776
Prepaid expenses and other assets	2,628,569	2,433,321
Capitalized software costs	355,058	1,190,829
Assets held for sale	549,483	549,483
Property and equipment, net	25,766,096	18,570,514
Total assets	$ 219,588,739	$ 154,730,387
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 4,591,706	$ 4,312,279
Line of credit	1,500,000	1,500,000
Notes payable	1,248,242	2,039,304
Liability under split-interest agreements	367,377	202,075
Total liabilities	7,707,325	8,053,658
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions:		
Available for operations	122,653,068	92,606,336
Net investment in property and equipment	24,517,854	16,531,210
Board-designated	38,440,332	23,871,457
	185,611,254	133,009,003
With donor restrictions	26,270,160	13,667,726
Total net assets	211,881,414	146,676,729
Total liabilities and net assets	$ 219,588,739	$ 154,730,387

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Gifts-in-kind	$ 512,537,932	$ 20,129,276	$ 532,667,208
Contributions	44,726,765	5,386,875	50,113,640
Government grants	2,528,478	-	2,528,478
Investment income, net	5,289,861	-	5,289,861
Net gain on disposition of assets	15,618,637	-	15,618,637
Other revenues	881,114	-	881,114
	581,582,787	25,516,151	607,098,938
Net assets released from restrictions:			
Satisfaction of purpose restrictions	1,530,922	(1,530,922)	-
Satisfaction of time restrictions	11,382,795	(11,382,795)	-
	12,913,717	(12,913,717)	-
Transportation service revenue	3,045,651	-	3,045,651
Total revenues, gains and other support	597,542,155	12,602,434	610,144,589
Expenses			
Program services:			
United States:			
Food and personal essentials	319,117,358	-	319,117,358
Disaster response	5,884,152	-	5,884,152
Educational and community support	128,285,663	-	128,285,663
International:			
Child-focused community development	61,062,317	-	61,062,317
Residential care	761,118	-	761,118
	515,110,608	-	515,110,608
Supporting activities:			
Fundraising	14,308,300	-	14,308,300
Management and general	12,528,888	-	12,528,888
	26,837,188	-	26,837,188
Transportation service expenses	2,992,108	-	2,992,108
Total expenses	544,939,904	-	544,939,904
Change in net assets	52,602,251	12,602,434	65,204,685
Net assets, beginning of year	133,009,003	13,667,726	146,676,729
Net assets, end of year	$ 185,611,254	$ 26,270,160	$ 211,881,414

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Gifts-in-kind	$ 408,161,330	$ 10,109,790	$ 418,271,120
Contributions	42,423,303	1,681,557	44,104,860
Government grants	2,640,120	-	2,640,120
Investment income, net	358,067	-	358,067
Net gain on disposition of assets	1,109,077	-	1,109,077
Other revenues	1,229,372	-	1,229,372
	455,921,269	11,791,347	467,712,616
Net assets released from restrictions:			
Satisfaction of purpose restrictions	1,086,314	(1,086,314)	-
Satisfaction of time restrictions	3,830,173	(3,830,173)	-
	4,916,487	(4,916,487)	-
Transportation service revenue	2,735,710	-	2,735,710
Total revenues, gains and other support	463,573,466	6,874,860	470,448,326
Expenses			
Program services:			
Unites States:			
Food and personal essentials	227,649,665	-	227,649,665
Disaster response	4,834,928	-	4,834,928
Educational and community support	108,301,297	-	108,301,297
International:			
Child-focused community development	42,838,627	-	42,838,627
Residential care	906,396	-	906,396
	384,530,913	-	384,530,913
Supporting activities:			
Fundraising	13,894,566	-	13,894,566
Management and general	12,750,281	-	12,750,281
	26,644,847	-	26,644,847
Transportation service expenses	2,955,478	-	2,955,478
Total expenses	414,131,238	-	414,131,238
Change in net assets	49,442,228	6,874,860	56,317,088
Net assets, beginning of year	83,566,775	6,792,866	90,359,641
Net assets, end of year	$ 133,009,003	$ 13,667,726	$ 146,676,729

See notes to consolidated financial statements.

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services						Supporting Activities				
	United States			International							
	Food and Personal Essentials	Disaster Response	Educational and Community Support	Child-Focused Community Development	Residential Care	Total Program Services	Fundraising	Management and General	Total Supporting Activities	Transportation Service Expenses	Total Expenses
Food and other necessities	$ 311,896,649	$ 5,605,013	$ 126,265,884	$ 50,722,855	$ 93,791	$ 494,584,192	$ -	$ -	$ -	$ -	$ 494,584,192
Grants and other assistance	1,947	-	-	4,093,961	74,793	4,170,701	-	-	-	-	4,170,701
Shipping and handling	659	21	21,129	31,328	-	53,137	-	-	-	-	53,137
Salaries and benefits	4,496,064	181,765	1,211,897	4,539,911	385,520	10,815,157	3,301,519	6,494,987	9,796,506	1,539,184	22,150,847
Contract services	350	45	96	174,273	10,527	185,291	973,612	579,187	1,552,799	-	1,738,090
Fuel and licensing	388,107	12,242	94,946	34,798	-	530,093	-	-	-	586,277	1,116,370
Insurance	309,565	11,109	79,869	74,954	290	475,787	14,702	328,096	342,798	161,638	980,223
Travel	40,301	937	5,072	190,425	2,755	239,490	11,364	16,663	28,027	6,696	274,213
Supplies	134,434	1,299	8,628	55,641	37	200,039	10,335	27,043	37,378	6,601	244,018
Equipment	61,631	2,485	16,326	18,102	116	98,660	25,062	63,352	88,414	1,969	189,043
Information technology	10,849	357	2,659	51,176	3,082	68,123	23,028	2,647,969	2,670,997	16,159	2,755,279
Repair and maintenance	393,929	17,223	102,365	212,681	90,662	816,860	50,827	118,513	169,340	177,046	1,163,246
Printing	456	6,688	184	31,400	2	38,730	39,646	46,802	86,448	-	125,178
Telephone	26,035	813	6,811	112,472	8,121	154,252	-	134,014	134,014	5,339	293,605
Occupancy	265,909	9,976	70,254	236,129	90,937	673,205	17,429	99,357	116,786	16,020	806,011
Public relations	2,796	162	748	14,894	16	18,616	16,872	73,818	90,690	-	109,306
Office and other	51,942	931	131,147	42,498	312	226,830	56,902	672,764	729,666	3,318	959,814
Postage	7,396	261	1,897	52,257	25	61,836	222,651	314,205	536,856	4,660	603,352
Legal and accounting	11,785	372	2,883	30,202	-	45,242	-	590,918	590,918	17,802	653,962
Property and other taxes	24,785	782	6,486	25,272	2	57,327	80	26,945	27,025	4,937	89,289
Interest	31,274	1,070	7,678	3,241	17	43,280	873	41,071	41,944	45,936	131,160
Depreciation	960,495	30,601	248,704	313,847	113	1,553,760	5,726	253,184	258,910	398,526	2,211,196
Direct mail	-	-	-	-	-	-	3,858,341	-	3,858,341	-	3,858,341
Direct mail postage	-	-	-	-	-	-	983,810	-	983,810	-	983,810
Event sponsorship	-	-	-	-	-	-	2,660,760	-	2,660,760	-	2,660,760
Digital fundraising	-	-	-	-	-	-	1,934,297	-	1,934,297	-	1,934,297
Other fundraising	-	-	-	-	-	-	100,464	-	100,464	-	100,464
	$ 319,117,358	$ 5,884,152	$ 128,285,663	$ 61,062,317	$ 761,118	$ 515,110,608	$ 14,308,300	$ 12,528,888	$ 26,837,188	$ 2,992,108	$ 544,939,904

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services						Supporting Activities				
	United States			International							
	Food and Personal Essentials	Disaster Response	Educational and Community Support	Child-Focused Community Development	Residential Care	Total Program Services	Fundraising	Management and General	Total Supporting Activities	Transportation Service Expenses	Total Expenses
Food and other necessities	$ 218,554,367	$ 4,622,746	$ 105,800,409	$ 32,302,618	$ 143,950	$ 361,424,090	$ -	$ -	$ -	$ -	$ 361,424,090
Grants and other assistance	6,183	-	-	4,355,860	12,583	4,374,626	-	-	-	-	4,374,626
Shipping and handling	206,671	-	2,957	54,688	-	264,316	49,210	-	49,210	-	313,526
Salaries and benefits	4,626,814	130,805	1,484,343	4,633,691	417,342	11,292,995	3,581,597	6,346,895	9,928,492	1,498,580	22,720,067
Contract services	46,646	-	6,457	29,423	8,262	90,788	986,280	568,202	1,554,482	-	1,645,270
Fuel and licensing	366,439	10,560	203,889	10,038	-	590,926	-	-	-	551,996	1,142,922
Insurance	274,718	8,057	97,212	65,651	206	445,844	13,412	311,324	324,736	138,636	909,216
Travel	95,825	1,636	15,937	109,771	4,980	228,149	134,294	54,855	189,149	5,500	422,798
Supplies	154,171	1,589	16,633	73,465	682	246,540	22,502	39,032	61,534	8,642	316,716
Equipment	23,594	691	6,375	11,774	71	42,505	22,314	99,052	121,366	1,807	165,678
Information technology	26,109	750	10,386	44,733	3,779	85,757	70,479	2,759,896	2,830,375	18,364	2,934,496
Repair and maintenance	464,068	13,674	153,891	209,822	106,252	947,707	30,167	107,749	137,916	173,596	1,259,219
Printing	1,358	40	1,387	10,906	43	13,734	17,394	41,029	58,423	-	72,157
Telephone	22,216	659	6,807	128,239	7,633	165,554	842	97,400	98,242	5,466	269,262
Occupancy	230,685	6,859	63,392	237,196	126,786	664,918	22,314	147,296	169,610	15,433	849,961
Public relations	889	16	148	6,037	-	7,090	16,826	79,274	96,100	-	103,190
Office and other	1,322,776	757	11,046	114,198	108	1,448,885	84,554	663,270	747,824	9,991	2,206,700
Postage	39,804	1,128	11,027	66,101	572	118,632	26,264	372,771	399,035	4,229	521,896
Legal and accounting	11,446	332	6,054	64,817	186	82,835	-	744,781	744,781	15,559	843,175
Property and other taxes	31,632	942	8,987	27,900	-	69,461	686	52,488	53,174	5,472	128,107
Interest	42,826	1,233	23,551	1,640	14	69,264	6,503	137,388	143,891	63,118	276,273
Depreciation	1,100,428	32,454	370,409	280,059	72,947	1,856,297	46,979	127,579	174,558	439,089	2,469,944
Direct mail	-	-	-	-	-	-	3,672,022	-	3,672,022	-	3,672,022
Direct mail postage	-	-	-	-	-	-	1,271,110	-	1,271,110	-	1,271,110
Event sponsorship	-	-	-	-	-	-	2,504,326	-	2,504,326	-	2,504,326
Digital fundraising	-	-	-	-	-	-	1,150,611	-	1,150,611	-	1,150,611
Other fundraising	-	-	-	-	-	-	163,880	-	163,880	-	163,880
	$ 227,649,665	$ 4,834,928	$ 108,301,297	$ 42,838,627	$ 906,396	$ 384,530,913	$ 13,894,566	$ 12,750,281	$ 26,644,847	$ 2,955,478	$ 414,131,238

FEED THE CHILDREN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 65,204,685	$ 56,317,088
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,262,620	3,817,283
Net gain on disposition of assets	(15,618,637)	(1,109,077)
Net unrealized and realized gain on investments	(5,183,220)	(147,231)
Annuity actuarial change	165,302	34,982
Changes in operating assets and liabilities:		
Accounts receivable	(435,879)	272,566
Contributions receivable	(11,178,075)	(6,929,484)
Inventory	(30,790,248)	(50,744,526)
Prepaid expenses and other assets	(36,126)	155,077
Accounts payable and accrued liabilities	279,427	(312,119)
Net cash provided by operating activities	5,669,849	1,354,559
Cash Flows from Investing Activities		
Purchases of investments	(13,370,733)	(7,632,754)
Proceeds from sales of investments	3,825,956	9,807,605
Purchases of internal-use software	(189,086)	(147,786)
Purchases of property and equipment	(12,744,047)	(722,644)
Proceeds from disposition of property and equipment	18,929,339	252,178
Proceeds from disposition of assets held for sale	-	2,846,755
Net cash provided by (used in) investing activities	(3,548,571)	4,403,354
Cash Flows from Financing Activities		
Principal payments on notes payable	(791,062)	(876,419)
Net proceeds from (payments on) line of credit	-	(1,000,000)
Net cash used in financing activities	(791,062)	(1,876,419)
Net change in cash and cash equivalents	1,330,216	3,881,494
Cash and cash equivalents, beginning of year	5,521,977	1,640,483
Cash and cash equivalents, end of year	$ 6,852,193	$ 5,521,977
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 87,471	$ 130,687
Supplemental Disclosure of Noncash Investing and Financing Activities		
Property and equipment financed through notes payable	$ -	$ 200,320

See notes to consolidated financial statements.

FEED THE CHILDREN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 1 – Nature of Organization and Activities

Feed the Children, Inc. (Feed the Children or the Organization) is a humanitarian relief organization which provides services throughout the United States and internationally. Feed the Children was founded as an Oklahoma nonprofit corporation on October 12, 1964. Driven by Christian values, its mission is dedicated to ending childhood hunger both at home and abroad. To benefit the children and families that Feed the Children serves, food and essential items are distributed, teachers and students are supported with classroom and school supplies, delivering relief to families affected by natural disasters, and teaching nutrition and other strategies for healthy, sustainable living. Together with its community partners, Feed the Children works to create a world where no child goes to bed hungry.

Collectively, the Organization includes Feed the Children, Inc. its wholly owned for-profit subsidiaries, FTC Transportation, Inc. (FTCT) and Friends That Care Holding Co. Ltd. (FTCHC), and its international operations in Malawi, Guatemala, Nicaragua, Haiti, Kenya, Tanzania, Uganda, El Salvador, the Philippines, and Honduras. These international offices, which are also subject to country-specific not-for profit registration and reporting requirements, carry out the humanitarian relief mission in their respective countries.

International offices receive substantially all of their financial support from Feed the Children and are managed under the formal international structure of Feed the Children, through which the Organization establishes and maintains their programming, global governance, and operating standards.

FTCT is a wholly owned for-profit subsidiary of Feed the Children that was formed in 1986 to provide transportation services to Feed the Children. As the core carrier for Feed the Children, FTCT transports gifts-in-kind contributions from corporate donors to one of five Feed the Children regional distribution centers located in Chandler, Arizona; La Vergne, Tennessee; Oklahoma City, Oklahoma; Elkhart, Indiana; and Bethlehem, Pennsylvania. FTCT also contracts with other third-party shippers and brokers for transportation services to help defray its costs.

FTCHC is a wholly owned subsidiary of Feed the Children that was formed for the purpose of purchasing and holding land and property in Kenya as a furtherance of the Organization's mission in that country.

Feed the Children provides services throughout the United States and internationally through the following programs:

Food and personal essentials (United States) – Feed the Children provides food and other basic necessities for children and families lacking life's essentials. No child or family is ever charged for the food, supplies and assistance they receive.

Disaster response (United States) – Feed the Children provides emergency essentials to victims of natural and man-made disasters. Feed the Children is able to swiftly respond due to its dedicated fleet of semi-tractor trailers operated by FTC Transportation, Inc.

Educational and community support (United States) – To empower the well-being of children and their families lacking life's essentials, Feed the Children provides educational supplies and other essentials through its backpack programs, teacher stores, summer feeding programs and through its network of community partners.

Child-focused community development (International) – Feed the Children develops sustainable long-term improvements in the quality of life for children and their families in poor or developing countries by addressing the issue of childhood hunger. Feed the Children combines clean water and sanitation projects with health, food, nutrition and education programs and income generating activities that assist to move entire communities toward self-sufficiency.

Residential care (International) – Feed the Children provides for the well-being of at-risk, vulnerable and/or abandoned children through its facilities in Kenya and Honduras, including providing for food, security, medical care, provision for educational needs, social and rehabilitation services, and overall safety and security.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation

The consolidated financial statements of the Organization include the accounts of Feed the Children, Inc., FTCT, FTCHC and its international operations. All significant intercompany balances and transactions have been eliminated in consolidation. The Organization consolidates an international operation when it has met the applicable criteria of economic interest and control, as defined in U.S. GAAP for nonprofit entities.

Net assets

Net assets and related revenues and support are classified based upon the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions – Net assets without donor restrictions includes all resources that are expendable at the discretion of the Board of Directors (Board) and/or management for general operating purposes or the Organization's programs. From time to time the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for general expenditures. See Note 10 for more information regarding Board-designated net assets.

With donor restrictions – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. The Organization's donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified to net assets without donor restrictions in the consolidated statements of activities as net assets released from restrictions. Contributions with restrictions that are fulfilled in the same time period in which the contribution is received are recorded as contributions without donor restrictions in the consolidated statements of activities. For the years ended June 30, 2021 and 2020, the Organization had no endowments or donor-imposed restrictions that were perpetual in nature. See Note 10 for more information regarding the composition of net assets with donor restrictions.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounting estimates which are significant to the financial statements include the valuation of gifts-in-kind donations. Actual results could differ from those estimates.

With respect to loss contingencies, the Organization records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. If it is determined that a loss is reasonably possible, and the loss or range of loss can be estimated, the possible loss is disclosed.

Foreign currency translation adjustments

The United States dollar is the functional currency for the Organization's consolidated operations except for its international subsidiaries. Feed the Children Kenya and FTCHC use the Kenyan shilling as their functional currency. Feed the Children Malawi uses the Malawian kwacha as its functional currency. Assets and liabilities of these subsidiaries are converted to United States dollars using the applicable exchange rate as of the end of the reporting period. Revenues, expenses, and cash flows are converted using an average exchange rate during the reporting period. Translation adjustments, which are included in other revenues, are not significant.

Cash and cash equivalents

The Organization has cash deposits with several financial institutions that typically exceed U.S. federally insured limits. To date, the Organization has not experienced any losses on these accounts. At June 30, 2021 and 2020, the Organization held $471,067 and $2,948,703, respectively, in foreign bank accounts not covered by the Federal Deposit Insurance Corporation. Highly liquid investment instruments with original maturities of three months or less, except those specifically designated for long term investment purposes, are considered to be cash equivalents. There were no investment instruments classified as cash equivalents at June 30, 2021 or 2020.

Accounts receivable

Accounts receivable primarily consist of amounts due from third parties for transportation services. Accounts receivable are carried at invoice amounts less an estimate made for doubtful receivables. Amounts are aged based on invoice terms. The Organization maintains an allowance for estimated credit losses based upon its historical experience and specific customer collection issues that the Organization has identified. Specific accounts are written off against the allowance when amounts are determined to be uncollectible.

Grants receivable consist primarily of amounts due from the United States Agency for International Development (USAID) under cost reimbursement grants (see Revenue recognition in Note 2). Amounts receivable under these grants were $490,279 and $1,199 at June 30, 2021 and 2020, respectively.

Contributions receivable

Unconditional promises to give cash are recorded at net present value, using estimated discount rates that market participants would require applicable to the year in which the promise is received. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue.

Unconditional promises to give donations of food, medical supplies, clothing and other materials (collectively, gifts-in-kind) for use in the Organization's programs are recognized in the period that sufficient verifiable evidence exists documenting that a promise was made by the donor and received by the Organization. Such gifts are recorded at their fair value (see Revenue recognition in Note 2). Gift-in-kind receivables from two donors represented approximately 51% and 54% of total contributions receivables at June 30, 2021 and 2020, respectively.

Investments

Investments in mutual funds with readily determinable fair values are reported at fair value (see Note 12). Donated investments are initially recorded at fair value at the date of donation. Life insurance policies are recorded at their cash surrender value. Certain other investments, including cash held for investment in money market accounts, are carried at cost, which approximates fair value.

Interest, dividends and net realized and unrealized gains and losses, less investment management fees, are reflected as investment income in the accompanying consolidated statements of activities. Realized and unrealized gains and losses on investments are recognized for changes in fair value between periods or when related securities are sold. Interest and dividends are recognized when earned. Investment transactions are recognized on a trade-date basis.

Inventory

Purchased inventory is recorded at cost. Donated inventory is recorded at the fair value of the donated goods at the date of donation based upon the estimated wholesale value of gifts received (see Revenue recognition in Note 2). Donated inventory is intended for distribution to qualified organizations only and is not available for sale. A loss is recognized for the decrease in value of any slow-moving inventory. Inventory is reported net of an allowance for obsolescence of $16,926 and $72,218 at June 30, 2021 and 2020, respectively.

Prepaid expenses and other assets

Certain payments reflect costs applicable to future periods. Prepaid expenses and other assets include certain prepaid direct mail costs which are expensed upon mailing.

Capitalized software costs

External costs and certain direct internal costs incurred to develop an internal-use software system during the application development stage have been capitalized and are included in the consolidated statements of financial position. Subsequent to the application development stage, external and direct internal costs are expensed when incurred. Amortization is computed by the straight-line method over the estimated useful life of the asset. Amortization expense totaled $1,051,157 and $1,307,077 for the years ended June 30, 2021 and 2020, respectively, and is included in the consolidated statement of functional expenses within information technology.

Assets held for sale

Certain assets consisting of land and buildings are classified as held for sale in the accompanying consolidated statements of financial position. During the year ended June 30, 2020, land and buildings located in Nairobi, Kenya, were sold for approximately $2,579,000, which is net of related selling costs. In addition, a portion of the idle warehouse facilities within the United States was sold for approximately $268,000, with a carrying value of approximately $1,814,000. The resulting gain of approximately $1,381,000 is reported within net gain on disposition of assets in the consolidating statement of activities for the year ended June 30, 2020. Assets held for sale at June 30, 2021 and 2020, include $213,699 of land in the United States and $335,784 of land and buildings located in Nairobi, Kenya. Subsequent to year-end, the land in the United States was sold for $284,000, net of selling costs.

Property and equipment

Property and equipment is carried at cost or, if donated, at fair value on the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Expenditures for betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Gifts of property are presented as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Property donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations about how long these assets must be maintained, these restrictions expire when the asset is acquired and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets

The Organization reviews long-lived assets for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. In performing the review for impairment, future cash flows expected to result from the use of the asset and its eventual disposal are estimated. If the undiscounted future cash flows are less than the carrying amount of the assets, there is an indication that the asset may be impaired. The amount of the impairment is measured as the difference between the carrying value and the estimated fair value of the asset. The fair value is determined either through the use of an external valuation, or by means of an analysis of discounted future cash flows based on expected utilization. An impairment loss would be recognized for the excess of the asset's carrying value as compared to its estimated fair value. No impairment for long-lived assets was recognized for the years ended June 30, 2021 or 2020.

Revenue recognition

The Organization follows Accounting Standard Codification (ASC) Subtopic 958-605, *Revenue Recognition*, to recognize cash and gift-in-kind contributions from individuals and domestic and multi-national organizations. These contributions, including unconditional promises to give, are recognized as revenue when the donor's unconditional commitment is received.

The Organization receives donations of food, medical supplies, clothing and other goods for use in its programs, collectively gifts-in-kind. These donations are recorded 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 market, considering their condition and utility for use at the time the goods are donated. Several methodologies are used in the determination of estimated wholesale value, including wholesale values provided by the donor, published industry pricing guides, internally researched values, and internal average values for like-kind items.

Donations of gifts-in-kind whose principal market is the United States are valued at their estimated wholesale value in the United States, determined as discussed in the previous paragraph. Gifts-in-kind donated outside the United States are valued based upon the estimated wholesale market value of the items within the countries that represents the principal market of use. The estimated wholesale value of these donations is obtained from market price data compiled from wholesale commercial transactions within the non-United States principal market. Regardless of the methodology, the condition and utility for use of the donated materials is taken into account for valuation purposes.

For the year ended June 30, 2021 and 2020, gifts-in-kind from two donors represented approximately 24% and 27% of total gifts-in-kind revenue, respectively.

Certain projects of the Organization are funded primarily by grants from the USAID. Revenues from grants are deemed earned and recognized in the consolidated statements of activities when expenditures are made for the purposes specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue. The Organization currently has a major federal program ongoing in Malawi funded from a USAID grant awarded during the year ended June 30, 2017. Cumulative federal expenditures related to this program since inception were approximately $17.9 million as of June 30, 2021.

The Organization recognizes third-party transportation service revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. In determining the appropriate amount to recognize, the Company applies the following five-step model: (1) identify the contract, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue as each performance obligation is completed.

The Company recognizes revenue on contracts over time as the customer simultaneously receives and consumes the benefit. The Company believes that an output method, such as days in transit, would generally depict the transfer of control to the customer as these methods include the transfer of control for which the customer has obtained a benefit.

Advertising

Advertising expenses, which primarily consist of direct mail appeals and related postage, are recognized when such appeals are mailed. These expenses are solely related to fundraising; accordingly, there are no joint costs allocated to program expenses.. Direct mail and related postage expenses for the years ended June 30, 2021 and 2020, were $6,519,101 and $6,176,348, respectively.

Income taxes

Feed the Children is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. International subsidiaries and affiliates are domiciled in their respective countries of operations. With the exception of FTCHC, other international subsidiaries and affiliates are organized as nonprofit entities and are exempt from income taxes in their respective countries. Feed the Children is subject to U.S. federal income tax on any unrelated business taxable income; however, such activity is limited, and therefore, no provision for income taxes has been made in the financial statements. FTCHC is a for-profit holding company for land and property in Kenya and may be subject to country and local income tax; however, such taxes are not significant to the financial statements.

FTCT is a U.S. for-profit corporation subject to federal income taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities, which are not significant to the financial statements at June 30, 2021 or 2020. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. FTCT has historically sustained tax operating losses which could generate a future income tax benefit. In fiscal year 2021, FTCT generated net taxable income of approximately $428,000, including utilization of net operating loss available from prior years of approximately $669,000, resulting in net tax expense of approximately $90,000.

Functional allocation of expenses

The costs of program services and supporting activities are summarized in the statements of activities on a functional basis. Expenses attributable to more than one functional category require allocation on a reasonable basis that is consistently applied. Expenses have been allocated among program services and supporting activities classifications on the basis of direct cost allocations, employee time records and indirect cost allocation estimates.

Adoption of accounting pronouncement

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under this ASU, recognition of revenue from customer contracts is a principles-based framework ensuring that revenue is recognized in a manner which reflects the consideration the Company is entitled in exchange for goods and services. The Organization adopted the provisions of this new standard on July 1, 2020, under the modified retrospective method. Adoption of the standard had no material effect on the Organization's financial statements but did result in expanded disclosures of transportation service revenue.

Accounting pronouncements not yet adopted

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for the Organization in 2022. Early adoption is permitted. The Organization is evaluating the impact the standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discount basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged. As deferred by ASU 2020-05, the standard is effective for the Organization in 2023, though early adoption is permitted. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Organization has not yet evaluated the impact the standard will have on its financial statements and related disclosures.

Subsequent events

Management has evaluated subsequent events through December 17, 2021, the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its general operating needs while also striving to maintain sufficient reserves to meet operating needs during periods of uncertainty and to assure

longer term commitments will continue to be met. The Organization's strategy is to operate within a balanced budget that anticipates collecting sufficient revenue to cover general expenditures. Revenues available to meet general expenditures include all revenues, gains and other support generated from ongoing operations, but exclude proceeds from the sale of investments or assets held for sale, unless authorized by the Board.

The Board has designated certain assets as reserves to provide assurance that long-term commitments and obligations will continue to be met and ensure sustainability of the Organization. Board-designated assets include investments and assets held for sale. Liquidation of these assets and any proceeds from sale may only be approved and spent at the discretion of the Board.

The Board meets annually to review and approve the annual budget prepared by management. Board-designated financial assets may be earmarked for inclusion in the annual budget when deemed necessary, at the discretion of, and approval by, the Board. For the years ended June 30, 2021 and 2020, $500,000 and $726,000, respectively, of investments were authorized for general expenditures and strategic initiatives by the Board. In addition, the FTCHC board of directors designated the proceeds from the sale of land and building, approximately $2,579,000 net of related selling costs, to be made available to FTC Kenya to support FTC Kenya's operations.

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30:

	2021	2020
Cash and cash equivalents	$ 6,852,193	$ 5,521,977
Accounts receivable	699,064	263,185
Pledges receivable, net	3,066,128	1,907,537
Investments	37,890,849	23,321,974
Total financial assets available	48,508,234	31,014,673
Less:		
Amounts unavailable for general expenditures within one year:		
Amounts restricted by donors with purpose restrictions	3,074,758	1,650,398
Amounts unavailable to management without Board approval:		
Investments	37,390,849	22,595,974
Total financial assets available to meet general expenditures within the next 12 months	$ 8,042,627	$ 6,768,301

In addition to Board-designated net assets that could be made available for current operations upon approval from the Board (see Note 10), the Organization maintains a line of credit of $6,000,000 that is available to help manage seasonal liquidity needs (see Note 7).

Note 4 – Contributions Receivable

Contributions receivable consist of pledges of cash and gifts-in-kind from corporate and individual donors expected to be collected within one year. Unconditional promises to give, net of allowance for uncollectible receivables, consist of the following at June 30:

	2021	2020
Gifts-in-kind receivable	$ 20,129,275	$ 10,109,791
Pledges receivable, net	3,066,128	1,907,537
	$ 23,195,403	$ 12,017,328

Note 5 – Investments

Investments consist of the following at June 30:

	2021	2020
Mutual funds	$ 30,941,345	$ 19,983,360
Money market accounts	3,950,079	180,067
Key man life insurance policies	2,999,425	3,158,547
	$ 37,890,849	$ 23,321,974

Net investment income consists of the following for the years ending June 30:

	2021	2020
Interest and dividends	$ 401,154	$ 464,807
Net realized and unrealized gain	5,194,382	150,724
Fees, net of other income	(305,675)	(257,464)
	$ 5,289,861	$ 358,067

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Life	2021	2020
Land		$ 4,113,431	$ 3,472,280
Buildings and improvements	5-40	27,868,136	25,876,033
Furniture, fixtures and equipment	3-5	7,046,571	7,807,482
Vehicles	3-7	1,736,523	1,736,523
Transportation equipment	3-7	5,579,849	5,883,866
		46,344,510	44,776,184
Accumulated depreciation		(20,578,414)	(26,205,670)
		$ 25,766,096	$ 18,570,514

Net investment in property and equipment consist of the following at June 30:

	2021	2020
Property and equipment, net	$ 25,766,096	$ 18,570,514
Less: related debt	(1,248,242)	(2,039,304)
	$ 24,517,854	$ 16,531,210

Pursuant to an operational strategy to relocate its California distribution center to Arizona, the Organization purchased a distribution facility in Chandler, Arizona in October 2020, for approximately $11,500,000. The Organization sold its regional distribution center location in Ontario, California, in December 2020, for approximately $19,600,000. A gain on sale of approximately $15,608,000 was recorded in relation to this property sale.

Note 7 – Line of Credit

The Organization has a $6,000,000 revolving credit facility with its investment custodial bank. Any borrowings under the facility are due on demand and are secured by the Organization's investment securities. The line of credit provides for two interest rate options at the discretion of the Organization: Prime Rate plus 0.75%, payable monthly, or LIBOR Rate plus 1.5% when the outstanding principal balance is less than $1,000,000 and 1.25% when the outstanding principal balance is equal to or exceeds $1,000,000, payable at the end of each interest period. Borrowings against the line of credit at both June 30, 2021 and 2020, were $1,500,000.

Note 8 – Notes Payable

Notes payable consist of the following at June 30:

	2021	2020
FTCT notes payable to Daimler Chrysler, collateralized by certain transportation equipment of FTCT, maturity dates ranging from May 2022 to August 2024, principal and interest payable monthly, interest ranging from 4.65% to 5.75% as of June 30, 2021	$ 1,248,242	$ 2,039,304

Future maturities of notes payable at June 30, 2021, are as follows:

Year ending June 30,	Amount
2022	$ 626,807
2023	420,064
2024	159,462
2025	41,909
	$ 1,248,242

Note 9 – Split-Interest Agreements

Feed the Children maintains a charitable gift annuity program whereby donors contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. The difference between the amount provided for the annuity contract and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift if Feed the Children is the ultimate beneficiary, or as a liability if another charity is the beneficiary. Upon the death of the annuitant, income distributions cease. The actuarial liability for annuities payable is calculated annually using published mortality rate tables adopted by the Internal Revenue Service at an assumed rate of return of 5.8%. The resulting actuarial gain or loss is recorded as a component of the change in value of split-interest agreements and reported in other revenue in the consolidated statements of activities. The present value of the estimated future payments at June 30, 2021 and 2020, is $367,377 and $202,075, respectively. These estimated future payments are included in the liability for split-interest agreements in the consolidated statements of financial position.

Note 10 – Net Assets

The Organization's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes at June 30:

	2021	2020
Available for operations	$ 122,653,068	$ 92,606,336
Net investment in property and equipment	24,517,854	16,531,210
Board-designated:		
Investments	37,890,849	23,321,974
Assets held for sale	549,483	549,483
Total Board-designated net assets	38,440,332	23,871,457
	$ 185,611,254	$ 133,009,003

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Residential care	$ 1,582,428	$ 836,137
Child-focused community development	1,484,013	805,944
Other	8,317	8,317
Total purpose restrictions	3,074,758	1,650,398
Time-restricted contributions receivable, primarily gifts-in-kind	23,195,402	12,017,328
	$ 26,270,160	$ 13,667,726

Note 11 – Employee Benefits

The Organization provides retirement benefits to employees under two separate qualified defined contribution plans, which cover all full-time and part-time employees that meet plan requirements. Feed the Children and FTCT have separate qualified defined contribution plans; a 403(b) plan and a 401(k) plan for eligible employees. Employee contributions are matched in accordance with the provisions of each plan. For the years ended June 30, 2021 and 2020, collective contributions to the plans were $418,331 and $407,835, respectively.

Note 12 – Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. There were no significant transfers into or out of Level 1, 2 or 3 measurements for the years ended June 30, 2021 and 2020.

The following table summarizes assets measured at fair value on a recurring basis at June 30, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
2021:				
Mutual funds	$ 30,941,345	$ 30,941,345	$ -	$ -

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
2020:				
Mutual funds	$ 19,983,360	$ 19,983,360	$ -	$ -

Note 13 – Commitments and Contingencies

The Organization is involved in various legal matters arising in the ordinary course of business. After reviewing these matters with counsel, management does not believe that any resulting liability will be material to the financial statements taken as a whole.

During the year ended June 30, 2019, the Organization became aware of potential inappropriate activity that may have resulted in instances of noncompliance with its major federal program in Malawi. The Organization responded by informing its granting agency, initiating an investigation into the matter and enhancing its processes over federal grant compliance to deter such activity. The outcome of the matter is subject to significant uncertainties and could be material to the Organization's operations and financial statements. An estimate of the possible loss or range of loss cannot presently be determined.

Note 14 – Risks and Uncertainties

Feed the Children invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks.

Management continues to monitor the progress of the COVID-19 pandemic, including the outbreak of new strains of the virus and the development of treatments and vaccines, as well as the associated responses of federal, state and local governments, and businesses. Such responses include, but are not limited to, President Biden's September 2021 announcement of a new federal rule requiring all employers with at least 100 employees to ensure that their employees are fully vaccinated or be tested on at least a weekly basis before coming to work. Further, supply chain disruptions resulting from the ongoing effects of the COVID-19 pandemic, or other factors and events outside our control, could have a negative impact upon the ability of our corporate partners to provide the food and other goods needed to support our programs, as well as our ability to deliver food and other goods to our agency partners. Feed the Children has not experienced any related negative financial impact and none can be estimated at this time. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.