Feed The Children, Inc.

Consolidated Financial Report
June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Feed The Children, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Feed The Children, Inc. and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 13 to the consolidated financial statements, the beginning of the year net assets at July 1, 2021 have been restated to correct an error. Our opinion is not modified with respect to this matter.

As described in Note 2 to the consolidated financial statements, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Report on Prior Year Financial Statements and Restatement

The consolidated financial statements of the Organization and its subsidiaries as of June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on December 17, 2021 prior to the restatement described in Note 13.

As part of our audit of the 2022 consolidated financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2021 consolidated net asset balances. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 consolidated financial statements of the Organization other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors
Feed The Children, Inc.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the summarized consolidated financial information but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Board of Directors
Feed The Children, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 31, 2023

Consolidated Statement of Financial Position

	June 30, 2022
Assets	
Cash and cash equivalents	$ 9,794,142
Investments (Note 10)	32,914,855
Contributions receivable (Note 4)	11,432,320
Inventory - Net of allowances	109,510,971
Prepaid expenses and other assets	3,014,145
Assets held for sale	341,784
Property and equipment - Net (Note 5)	26,162,166
Total assets	**$ 193,170,383**
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued liabilities	$ 4,421,124
Line of credit (Note 6)	1,500,000
Liability under split-interest agreements (Note 2)	397,865
Note payable (Note 7)	2,052,439
Total liabilities	8,371,428
Net Assets	
Net assets without donor restrictions: (Note 8)	
Available for operations	107,157,535
Investment in property and equipment - Net of note payable	24,109,727
Board designated	29,530,451
Total net assets without donor restrictions	160,797,713
Net assets with donor restrictions (Note 8)	24,001,242
Total net assets	184,798,955
Total liabilities and net assets	**$ 193,170,383**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Gifts-in-kind donations (Note 12)	$ 316,961,413	$ 18,688,959	$ 335,650,372
Contributions	41,810,940	8,074,323	49,885,263
Federal grants (Note 2)	998,819	-	998,819
Investment loss	(4,978,628)	-	(4,978,628)
Other revenue	3,312,575	-	3,312,575
Transportation service revenue	3,182,099	-	3,182,099
Total revenue, gains, and other support	361,287,218	26,763,282	388,050,500
Net Assets Released from Restrictions	27,480,200	(27,480,200)	-
Total revenue, gains, other support, and net assets released from restrictions	388,767,418	(716,918)	388,050,500
Expenses			
Program expenses:			
United States - Food and personal essentials	197,154,498	-	197,154,498
United States - Disaster response	5,667,247	-	5,667,247
United States - Educational and community support	124,573,488	-	124,573,488
International - Child-focused community development	42,714,459	-	42,714,459
International - Residential care	500,186	-	500,186
Total program expenses	370,609,878	-	370,609,878
Support services:			
Management and general	11,930,324	-	11,930,324
Fundraising	17,149,881	-	17,149,881
Total support services	29,080,205	-	29,080,205
Transportation service expense	3,427,876	-	3,427,876
Total expenses	403,117,959	-	403,117,959
Decrease in Net Assets	(14,350,541)	(716,918)	(15,067,459)
Net Assets - Beginning of year (as restated)	175,148,254	24,718,160	199,866,414
Net Assets - End of year	**$ 160,797,713**	**$ 24,001,242**	**$ 184,798,955**

See notes to consolidated financial statements.

Feed The Children, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Expenses					Non-program Expenses	Support Services		
	United States - Food and Personal Essentials	United States - Disaster Response	United States - Educational and Community Support	International - Child-focused Community Development	International - Residential Care	Transportation Service Expense	Management and General	Fundraising	Total
Food and other necessities	$ 190,051,088	$ 5,405,238	$ 121,343,060	$ 34,061,273	$ 85,295	$ -	$ -	$ -	$ 350,945,954
Salaries and benefits	3,753,455	138,611	1,764,060	5,636,828	272,211	1,620,285	6,382,032	3,734,869	23,302,351
Grants and other assistance	1,330	-	-	80,835	-	-	-	-	82,165
Contract services	54,947	1,871	26,741	400,889	6,900	-	1,169,985	1,003,180	2,664,513
Fuel and licensing	350,336	18,036	137,350	86,475	-	804,673	-	-	1,396,870
Insurance	266,842	10,398	123,096	89,419	272	155,062	332,631	16,780	994,500
Travel	91,098	2,970	24,363	223,242	1,586	9,813	39,618	47,988	440,678
Supplies	182,509	1,803	37,688	87,024	243	9,156	32,008	17,442	367,873
Equipment	58,795	1,998	28,130	45,888	270	2,472	72,214	37,765	247,532
Information technology	88,322	3,200	40,848	127,090	4,911	18,780	1,694,809	19,509	1,997,469
Repair and maintenance	874,875	31,683	416,984	348,131	19,159	174,894	122,010	44,783	2,032,519
Telephone	20,823	761	9,856	133,642	4,707	5,239	124,505	5	299,538
Occupancy	208,444	7,390	100,193	479,595	94,195	21,607	63,615	23,465	998,504
Office and other	52,443	645	12,963	306,789	9,058	(4,563)	913,638	91,507	1,382,480
Postage	7,672	301	3,519	79,614	76	4,880	272,387	174,290	542,739
Legal and accounting	7,618	392	2,986	191,053	447	17,496	532,042	-	752,034
Property and other taxes	52,952	2,519	21,908	12,093	1	93,116	10,969	69	193,627
Interest	27,411	1,407	10,770	2,621	5	62,411	40,740	294	145,659
Depreciation	1,003,538	38,024	468,973	321,958	850	432,555	127,121	52,474	2,445,493
Direct mail	-	-	-	-	-	-	-	4,000,249	4,000,249
Direct mail postage	-	-	-	-	-	-	-	2,656,718	2,656,718
Event sponsorship	-	-	-	-	-	-	-	2,088,983	2,088,983
Digital fundraising	-	-	-	-	-	-	-	3,139,511	3,139,511
Total functional expenses	**$ 197,154,498**	**$ 5,667,247**	**$ 124,573,488**	**$ 42,714,459**	**$ 500,186**	**$ 3,427,876**	**$ 11,930,324**	**$ 17,149,881**	**$ 403,117,959**

Consolidated Statement of Cash Flows

	Year Ended June 30, 2022
Cash Flows from Operating Activities	
Decrease in net assets	$ (15,067,459)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:	
Depreciation and amortization	2,665,213
Gain on disposal of property and equipment	(614,392)
Net unrealized and realized loss on investments	5,219,609
Annuity actuarial change	30,488
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:	
Contributions receivable	10,211,083
Inventory	1,678,053
Prepaid expenses and other assets	448,826
Accounts payable and accrued liabilities	(170,582)
Net cash and cash equivalents provided by operating activities	4,400,839
Cash Flows from Investing Activities	
Purchases of investments	(4,235,371)
Proceeds from sales and maturities of investments	3,991,756
Purchases of property and equipment	(3,215,997)
Proceeds from disposition of property and equipment	1,196,525
Net cash and cash equivalents used in investing activities	(2,263,087)
Cash Flows from Financing Activities	
Proceeds from notes payable	2,217,145
Payments on notes payable	(1,412,948)
Net cash and cash equivalents provided by financing activities	804,197
Net Increase in Cash and Cash Equivalents	2,941,949
Cash and Cash Equivalents - Beginning of year	6,852,193
Cash and Cash Equivalents - End of year	**$ 9,794,142**
Supplemental Cash Flow Information - Cash paid for interest	$ 104,102

See notes to consolidated financial statements.

Note 1 - Nature of Business

Feed The Children, Inc. (the "Organization") is a humanitarian relief organization that provides services throughout the United States and internationally. The Organization was founded as an Oklahoma nonprofit corporation on October 12, 1964. Driven by Christian values, the Organization’s mission is dedicated to ending childhood hunger both at home and abroad. The Organization fulfills its mission by providing food and essential items to children and families lacking such essentials, supporting teachers and students 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, the Organization 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); Feed the Children, Philippines; Feed the Children, Honduras; Feed the Children, El Salvador; and its international operations in Malawi, Guatemala, Kenya, Tanzania, and Uganda. 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, Inc. and are managed under the formal international structure of the Organization, 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, Inc. formed in 1986 to provide transportation services to Feed the Children, Inc. As the core carrier for Feed the Children, Inc., FTCT transports gifts-in-kind contributions from corporate donors to one of five Feed the Children, Inc. 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, Inc. 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, Philippines; Feed the Children, Honduras; and Feed the Children, El Salvador are controlled international entities that were formed to expand the mission of the Organization in their respective countries.

The Organization provides services throughout the United States and internationally through the following programs:

Food and personal essentials (United States) - The Organization 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) - The Organization provides emergency essentials to victims of natural and man-made disasters. The Organization is able to swiftly respond due to its dedicated fleet of semitractor 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, the Organization provides educational supplies and other essentials through its backpack programs, teacher stores, summer feeding programs, and its network of community partners.

Child-focused community development (International) - The Organization 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. The Organization 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.

Note 1 - Nature of Business (Continued)

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

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the basis of accounting principles generally accepted in the United States (GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization, including the accounts of Feed the Children, Inc.; FTCT; FTCHC; and all controlled international entities and offices. All material intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended at the discretion of the board of directors (the "Board") and/or management for any purpose in performing the primary objectives of the Organization. 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 8 for more information regarding board-designated net assets.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. 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. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. For the year ended June 30, 2022, the Organization had no endowments or donor-imposed restrictions that were perpetual in nature. See Note 8 for more information regarding the composition of net assets with donor restrictions.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. 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. See Note 11 for more information regarding potential losses.

Note 2 - Significant Accounting Policies (Continued)

Foreign Currency Translation

Assets and liabilities of the international operations are translated into U.S. dollars at the rate of exchange in effect at the close of the period. Income and expenses are translated at an average rate of exchange for the period. The aggregate effect of translating the financial statements is included in other revenue on the consolidated statement of activities and changes in net assets.

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, 2022, the Organization held $730,750 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, 2022.

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.

Accounts receivable consist of amounts due from the United States Agency for International Development (USAID) under cost reimbursement grants (see *Revenue Recognition*). Amounts receivable under these grants were $53,324 at June 30, 2022, recorded within prepaid expenses and other assets on the consolidated statement of financial position.

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*). Gift-in-kind receivables from two donors represented approximately 33 percent of total contributions receivable at June 30, 2022.

Investments

Investments in mutual funds with readily determinable fair values are reported at fair value (see Note 10). Donated securities 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.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Interest, dividends, and net realized and unrealized gains and losses, less investment management fees, are reflected as investment income in the accompanying consolidated statement of activities and changes in net assets. 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

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 *Contributed Nonfinancial Assets*). Donated inventory is intended for distribution to qualified organizations only and is not available for sale. At June 30, 2022, the Organization held $7,433,752 of inventory in international locations, with approximately $6,452,000 located in Malawi. A loss is recognized for the decrease in value of any slow-moving inventory. Inventory is reported net of an allowance for obsolescence of $81,751 at June 30, 2022.

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.

Assets Held for Sale

Certain assets consisting of land and buildings are classified as held for sale in the accompanying consolidated statement of financial position. The assets held for sale are valued at the lower of carrying amount or fair value less costs to sell. During the year ended June 30, 2022, land held for sale in the United States was sold for $284,000, net of selling costs, resulting in an ending balance of assets held for sale of $341,784 at year end.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value on the date of the 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 or Disposal 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 year ended June 30, 2022.

Note 2 - Significant Accounting Policies (Continued)

Split-interest Agreements

The Organization maintains a charitable gift annuity program where 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, Inc. 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 percent. 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 statement of activities and changes in net assets. The present value of the estimated future payments at June 30, 2022 is $397,865. These estimated future payments are included in the liability for split-interest agreements in the consolidated statement of financial position.

Revenue Recognition

The Organization recognizes cash and gift-in-kind contributions from individuals and domestic and multinational organizations. These contributions, including unconditional promises to give, are recognized as revenue when the donor's unconditional commitment is received.

Certain projects of the Organization are funded primarily by grants from the USAID. Conditional promises to give are not recognized as revenue until barriers prescribed by the grant agreements/pledge agreements are overcome. As of June 30, 2022, there is a conditional contribution not recorded on the accompanying financial statements relating to a commitment from one donor to provide a monthly average of 93,333 bags of a specialty formulated, nutrient-enriched grain blend, over the life of the new USAID award that began in June 2022. The fair market value of the commitment was approximately $156,799,000, and the remaining balance of the commitment as of June 30, 2022 is approximately $154,699,000. Revenue from grants is deemed earned and recognized in the consolidated statement of activities and changes in net assets 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 had a major federal program ongoing during the year 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 $18.8 million as of June 30, 2022. The grant period terminated in November 2021. The Organization was awarded an additional grant for $23,000,000 from USAID in May 2022, which is considered a conditional contribution. Cumulative federal expenditures relating to this program were approximately $91,000 as of June 30, 2022. Total grant revenue recognized from all federal grants was $998,819 for the year ended June 30, 2022.

Contributed Nonfinancial Assets

Donated items received by the Organization and used in its programs have been reflected in the financial statements at their estimated fair values at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization receives donations of several categories of products, including food, beverages, and nutrition; hygiene and home essentials; books, educational supplies, and essentials; eyeglasses, health, and medical supplies; and other assorted 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 that are described in Note 12. These amounts have been reported as gifts-in-kind donations when received and included in associated program expenses when distributed on the consolidated statement of activities and changes in net assets. See Note 12 for further details.

Note 2 - Significant Accounting Policies (Continued)

Advertising Expense

Advertising expense, which primarily consists of direct mail appeals and related postage, is 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 year ended June 30, 2022 were $6,656,967.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). International subsidiaries and offices are domiciled in their respective countries of operations. With the exception of FTCHC, other international subsidiaries and offices are organized as nonprofit entities and are exempt from income taxes in their respective countries. The Organization 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 that the Organization recognizes third-party transportation service revenue, 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. 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.

Functional Allocation of Expenses

Costs of program and support services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Expenses have been allocated among program services and supporting activities classifications on the basis of direct and indirect cost allocations. Salaries and related benefits are allocated among program services and supporting activities on the basis of employee departmental job function. Distribution of food and other necessities are allocated to programs based upon the nature of the product provided and the program benefited. Other expense categories include both direct and allocated expenses. Direct costs are expenses that directly benefit that particular classification. Allocated costs are expenses that are attributable to more than one program or supporting function and are allocated among program services and supporting activities on the basis of the direct salary allocations.

Adoption of Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (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 Organization's programs and other activities. The ASU has been applied on a retrospective basis and has increased required disclosures for the Organization relating specifically to gifts in kind (see Note 12).

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the consolidated statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the period of implementation. The Organization will recognize a right-of-use asset and liability for the operating leases it has outstanding at the date of adoption.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Organization has not yet been contacted by the bank to change the rate on its debt facilities.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 31, 2023, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Cash and cash equivalents	$ 9,794,142
Pledges receivable - Net	2,412,124
Investments	32,914,855
Financial assets - At year end	45,121,121
Less those unavailable for general expenditures within one year due to:	
Amounts restricted by donors with purpose restrictions	6,394,300
Board designations	28,688,667
Financial assets available to meet cash needs for general expenditures within one year	$ 10,038,154

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. Revenue available to meet general expenditures includes all revenue, gains, and other support generated from ongoing operations but excludes proceeds from the sale of investments or assets held for sale, unless authorized by the Board, and excludes gifts-in-kind donations.

Note 3 - Liquidity and Availability of Resources (Continued)

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 of $29,188,667 and assets held for sale $341,784. 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 year ended June 30, 2022, $500,000 of investments were authorized for general expenditures and strategic initiatives by the Board.

In addition to board-designated net assets that could be made available for current operations upon approval from the Board (see Note 8), the Organization maintains a line of credit of $6,000,000 that is available to help manage seasonal liquidity needs (see Note 6).

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give consisting of cash and gifts-in-kind generated from corporate and individual donors expected to be collected within one year. No allowance was recorded against receivables as of June 30, 2022.

Gifts-in-kind receivable	$ 9,020,196
Pledges receivable	2,412,124
Net contributions receivable	$ 11,432,320

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	Amount	Depreciable Life - Years
Land	$ 4,113,431	-
Buildings and improvements	27,942,590	5-40
Furniture, fixtures, and equipment	7,747,320	3-5
Vehicles	1,857,778	3-7
Transportation equipment	5,995,860	3-7
Total cost	47,656,979	
Accumulated depreciation	21,494,813	
Net property and equipment	$ 26,162,166	

Depreciation expense for 2022 was $2,445,493.

Net investment in property and equipment consists of the following at June 30, 2022:

Net property and equipment	$ 26,162,166
Less related note payable	(2,052,439)
Total	$ 24,109,727

Note 6 - Line of Credit

Under a revolving line of credit agreement with its investment custodial bank, the Organization has available borrowings of $6,000,000. 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 percent, payable monthly, or one-month LIBOR plus 1.5 percent when the outstanding principal balance is less than $1,000,000 and 1.25 percent 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 June 30, 2022 were $1,500,000 with an interest rate of 2.69 percent.

Note 7 - Notes Payable

Notes payable at June 30, 2022 are as follows:

FTCT notes payable to Daimler Chrysler, collateralized by certain transportation equipment of FTCT, maturity dates ranging from August 2023 to April 2027 with principal and interest payable monthly, interest ranging from 3.97 percent to 5.75 percent as of June 30, 2022	$ 2,052,439

Future maturities of notes payable at June 30, 2022 are as follows:

Years Ending	Amount
2023	$ 719,190
2024	513,603
2025	324,915
2026	312,259
2027	182,472
Total	$ 2,052,439

Note 8 - Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2022:

Board-designated net assets:	
Investments	$ 29,188,667
Assets held for sale	341,784
Total board-designated net assets	29,530,451
Available for operations	107,157,535
Investment in property and equipment - Net of note payable	24,109,727
Total	$ 160,797,713

Note 8 - Net Assets (Continued)

Net assets with donor restrictions as of June 30, 2022 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Residential care	$ 1,083,865
Child-focused community development, international	1,808,302
Childcare, food, and medical programs, domestic	9,668,764
Other	7,991
Total subject to expenditures for a specified purpose	12,568,922
Time restricted - Contributions receivable:	
Gifts-in-kind receivable	9,020,196
Pledges receivable	2,412,124
Total time restricted	11,432,320
Total	$ 24,001,242

Note 9 - 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, Inc. 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 year ended June 30, 2022, collective contributions to the plans were $495,052.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 10 - Fair Value Measurements (Continued)

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2022 and the valuation techniques used by the Organization to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Investments:				
Mutual funds - Fixed income	$ 8,162,475	$ -	$ -	$ 8,162,475
Mutual funds - Equity	18,097,590	-	-	18,097,590
Total investments	$ 26,260,065	$ -	$ -	$ 26,260,065

Not included in the table above, the Organization had $3,882,846 of money market accounts and $2,771,944 of key man life insurance policies as of June 30, 2022.

Note 11 - 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 changing 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 12 - Gifts-in-kind Donations

Gifts-in-kind donations recognized by the Organization for the year ended June 30, 2022 are as follows:

	2022	Valuation Techniques and Inputs
Food, beverages, and nutrition	$ 108,365,249	Wholesale values provided by the donor, published industry pricing guides, internally researched values, internal average values for like-kind items
Hygiene and home essentials	125,076,156	Wholesale values provided by the donor, published industry pricing guides, internally researched values, internal average values for like-kind items
Books, educational supplies, and essentials	14,557,414	Wholesale values provided by the donor, published industry pricing guides, internally researched values, internal average values for like-kind items
Eyeglasses, health, and medical supplies	14,107,409	Wholesale values provided by the donor, published industry pricing guides, internally researched values, internal average values for like-kind items
Other assorted goods	73,544,144	Wholesale values provided by the donor, published industry pricing guides, internally researched values, internal average values for like-kind items
Total in-kind donations	$ 335,650,372	

Note 12 - Gifts-in-kind Donations (Continued)

The Organization receives donations of mission-related food and other necessities for use in its programs throughout the United States and internationally. For all categories of donated mission-related food and other necessities, 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.

Internally researched values includes independently verified retail product prices with an applied estimated wholesale discount percentage.

Internal average values for line-kind items include estimated wholesale prices based on historical information.

Donations of mission-related food and other necessities are valued based upon the estimated wholesale market that represents the principal market of use. Donations of gifts in kind whose principal market is the United States are valued at their estimated wholesale value in the United States. Donations of gifts in kind whose principal markets are outside the United States are valued based upon the estimated wholesale market value within the country that represents the principal market for the donation. Regardless of the methodology, the condition and utility for use of the donated materials is taken into account for valuation purposes.

Food, beverages, nutrition, eyeglasses, health, and medical supplies are generally utilized in the food and personal essentials program or the child-focused community development program. Books, educational supplies, and essentials are generally utilized in the educational and community development program. Food and nutritional items are utilized in the child-focused community development program. Various categories of products may be used in disaster response programs, depending upon the nature and needs of the community served.

For the year ended June 30, 2022, gifts in kind from 13 donors represented approximately 58 percent of total gifts-in-kind revenue.

The total gift-in-kind donations that were purpose restricted as of June 30, 2022 was $9,668,764. The total that were time restricted as of June 30, 2022 was $9,020,196. Additionally, the Organization does not sell gifts-in-kind donations and only distributes goods for program use.

Note 13 - Prior Period Adjustment

The beginning net assets with and without donor restrictions as of July 1, 2021 have been restated to correct an error related to an overstatement of the valuation of gift-in-kind contributions made in the prior year. The effect of the restatement was to decrease net assets without donor restrictions as of July 1, 2021 by approximately $10,463,000 with a corresponding decrease to inventory as of the same date and to decrease net assets with donor restrictions as of July 1, 2021 by approximately $1,552,000 with a corresponding decrease to contributions receivable as of the same date. The adjustment reduced the total net asset balance as of July 1, 2021 by approximately $12,015,000.