

Hunger Relief International Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2020

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Hunger Relief International Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunger Relief International Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
April 15, 2021

Hunger Relief International Inc.

Statement of Financial Position

December 31, 2020

Assets

Current assets

Cash	\$ 64,579
Restricted cash	8,025
Other current assets	3,675
Total current assets	<u>76,279</u>

Property and equipment, net

Vehicles	49,500
Furniture, fixtures and equipment	2,941
Less accumulated depreciation	<u>(42,381)</u>

Net property and equipment	<u>10,060</u>
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Total assets	<u><u>\$ 86,339</u></u>
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Liabilities and net assets

Liabilities

Accounts payable	\$ 11,418
Total liabilities	<u>11,418</u>

Net assets

Without donor restrictions	66,896
With donor restrictions	8,025
Total net assets	<u>74,921</u>

Total liabilities and net assets	<u><u>\$ 86,339</u></u>
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The accompanying notes are an integral part of these financial statements.

Hunger Relief International Inc.

Statement of Activities

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants and contributions	\$ 447,181	\$ 14,815	\$ 461,996
Payroll Protection Program	26,107	-	26,107
Other income	1,067	-	1,067
Net assets released from restrictions	22,725	(22,725)	-
Total support and revenue	497,080	(7,910)	489,170
Expenses			
Program services	459,793	-	459,793
General and administrative	30,503	-	30,503
Fundraising	19,056	-	19,056
Total expenses	509,352	-	509,352
Change in net assets	(12,272)	(7,910)	(20,182)
Net assets			
Beginning of year	79,168	15,935	95,103
End of year	\$ 66,896	\$ 8,025	\$ 74,921

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Year ended December 31, 2020

	Program services	Management and general	Fund- raising	Total
Compensation and related expenses				
Salaries and wages	\$ 46,475	\$ 1,637	\$ 1,637	\$ 49,749
Payroll taxes and employee benefits	11,330	167	129	11,626
Total compensation and related expenses	57,805	1,804	1,766	61,375
Other expenses				
Nutrition	138,649	-	-	138,649
Professional fees	114,372	18,187	10,220	142,779
Emergency/disaster relief	24,981	-	-	24,981
Office administration	24,895	8,016	4,527	37,438
Youth engagement	23,163	-	-	23,163
Education and training	20,152	-	-	20,152
Water, sanitation and health	17,285	-	-	17,285
Emerging needs	16,109	-	-	16,109
Site expense	11,489	-	-	11,489
Events	5,230	2,496	2,543	10,269
Depreciation	4,643	-	-	4,643
Travel and meetings	1,020	-	-	1,020
Total other expenses	401,988	28,699	17,290	447,977
Total expenses	\$ 459,793	\$ 30,503	\$ 19,056	\$ 509,352

The accompanying notes are an integral part of these financial statements.

Hunger Relief International Inc.

Statement of Cash Flows

Year ended December 31, 2020

Cash flows from operating activities

Change in net assets	\$ (20,182)
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Adjustments to reconcile change in net assets to
net cash provided by (used in) operating activities:

Depreciation	4,643
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(Increase) decrease in:

Other current assets	(3,618)
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Increase (decrease) in:

Accounts payable	(3,732)
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Net cash used in operating activities	<u>(22,889)</u>
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Net decrease in cash	(22,889)
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Cash

Beginning of year	<u>95,493</u>
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End of year	<u><u>\$ 72,604</u></u>
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Cash and cash equivalents is comprised of the following:

Cash	\$ 64,579
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Restricted cash	<u>8,025</u>
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<u><u>\$ 72,604</u></u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 2020

Note A - Organization and Significant Accounting Policies

1. Organization and Nature of Operations

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

2. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Hunger Relief International and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are net assets with donor restrictions of \$8,025 as of December 31, 2020.

3. Cash, Concentration of Credit Risk, and Restricted Cash

Cash consists of cash on deposit at financial institutions with an initial maturity of less than three months. At times, cash balances may exceed the Federal Deposit Insurance Corporation's (FDIC) insurance coverage of \$250,000; however, the Organization does not consider this to be a significant risk.

Restricted cash as of December 31, 2020, is \$8,025, see Note E.

Notes to Financial Statements

December 31, 2020

Note A – Organization and Significant Accounting Policies - Continued

4. *Grants and Contributions Receivable*

Hunger Relief International recognizes pledged grants and contributions at their net realizable value on the date pledges are received. Such estimated allowances are based on management's assessment of the credit worthiness of its donors, the aged basis of receivables, and historical information. Receivables are written off in the period they are deemed uncollectible, and payments subsequently received are recorded as income in the period received. As of December 31, 2020, there were no pledge receivables.

5. *Property and Equipment*

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

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

The Organization records impairments to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2020.

6. *In-Kind Contributions*

The Organization regularly receives contributed services from volunteers who assist in programs and other efforts through participation in a range of events and by working with the Organization. Consistent with FASB ASC 958-605, the value of such services has not been recognized in the accompanying financial statements.

Significant services received which create or enhance a non-financial asset or require specialized skills that the Organization would have purchased if not donated are recognized in the statement of activities. There were no in-kind contributions of professional services during the year ended December 31, 2020.

In-kind contributions of material, supplies and capital assets are recorded when there is an objective basis upon which to value these gifts and contributions are an integral part of the Organization's activities. During the year ended December 31, 2020, the Organization recorded \$5,800 in donated supplies and materials.

Notes to Financial Statements

December 31, 2020

Note A – Organization and Significant Accounting Policies - Continued

7. *Revenue Recognition*

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

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

The Organization follows Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, that requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization does not have a significant amount of this activity and it does not have a material impact on the Organization's financial statements.

8. *Functional Expenses*

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

The expenses that are allocated include the following:

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

9. *Income Taxes*

Hunger Relief International Inc. has been granted an exemption for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

Notes to Financial Statements

December 31, 2020

Note A – Organization and Significant Accounting Policies - Continued

10. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. *Subsequent Events*

Management has evaluated subsequent events through April 15, 2021, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 virus, economic uncertainties have arisen which may negatively impact the Organization's operations. The potential financial impact and duration cannot be reasonably estimated at this time.

Note B – Liquidity and Availability

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$50,000).

The Organization held \$72,604 of financial assets as of December 31, 2020, which consists of cash, which is available to meet general expenditures within one year.

Note C – Concentration

For the year ended December 31, 2020, the Organization received approximately 28% of total revenues from one donor.

Notes to Financial Statements

December 31, 2020

Note D – Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law providing certain economic aid packages for small businesses. The Organization qualified as a small business under CARES and submitted an application for approval for funding under the Paycheck Protection Program (PPP). The application was approved and funds in the amount of \$25,970 were disbursed to the Organization on April 28, 2020. Interest accrued at 1.0% from the time funds were disbursed. Principal and interest payment were due monthly, beginning December 2020. All remaining principal and accrued interest was due and payable two years from the date of the note. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses, as described in the CARES Act. On November 16, 2020, the Organization's loan and \$137 in interest was fully forgiven.

Note E – Net Assets

Net assets with donor restrictions at December 31, 2020, consisted of the following:

Trifecta project - Guatemala	\$ 1,000
Energy efficient stoves	273
Children 1st school fees - Haiti	1,081
COVID Cares	345
Small projects (DonorSee)	4,001
Pastor Mario Bible studies	850
Medicine for orphans	475
	<u>\$ 8,025</u>

During the year ended December 31, 2020, the Organization incurred \$22,725, in expenses in satisfaction of the restricted purposes specified by donors. Accordingly, a corresponding amount has been reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

Note F – Operating Lease

The Organization rents office space in Haiti in which they are paying rent and utilities on a month-to-month basis. The expenses totaled \$10,900 for the year ended December 31, 2020.

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