



**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**

**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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Hogan Taylor CP". The signature is written in a cursive style with a horizontal line above the first few letters.

Oklahoma City, Oklahoma  
December 11, 2020

**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 5,521,977	\$ 1,640,483
Accounts receivable	263,185	535,751
Contributions receivable	12,017,328	5,087,844
Investments	23,321,974	25,483,563
Inventory, net	90,861,776	40,117,250
Prepaid expenses and other assets	2,433,321	2,454,429
Capitalized software costs	1,190,829	2,390,379
Assets held for sale	549,483	2,363,513
Property and equipment, net	18,570,514	20,293,323
	<b>\$ 154,730,387</b>	<b>\$ 100,366,535</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,312,279	\$ 4,624,398
Line of credit	1,500,000	2,500,000
Notes payable	2,039,304	2,715,403
Liability under split-interest agreements	202,075	167,093
	<b>8,053,658</b>	<b>10,006,894</b>
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Available for operations	92,606,336	38,141,779
Net investment in property and equipment	16,531,210	17,577,920
Board-designated	23,871,457	27,847,076
	<b>133,009,003</b>	<b>83,566,775</b>
With donor restrictions	13,667,726	6,792,866
	<b>146,676,729</b>	<b>90,359,641</b>
<b>Total net assets</b>	<b>\$ 154,730,387</b>	<b>\$ 100,366,535</b>
<b>Total liabilities and net assets</b>	<b>\$ 154,730,387</b>	<b>\$ 100,366,535</b>

**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
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
	<u>455,921,269</u>	<u>11,791,347</u>	<u>467,712,616</u>
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)	-
	<u>4,916,487</u>	<u>(4,916,487)</u>	<u>-</u>
Transportation service revenue	2,735,710	-	2,735,710
Total revenues, gains and other support	<u>463,573,466</u>	<u>6,874,860</u>	<u>470,448,326</u>
<b>Expenses</b>			
Program services:			
United 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
	<u>384,530,913</u>	<u>-</u>	<u>384,530,913</u>
Supporting activities:			
Fundraising	13,894,566	-	13,894,566
Management and general	12,750,281	-	12,750,281
	<u>26,644,847</u>	<u>-</u>	<u>26,644,847</u>
Transportation service expenses	2,955,478	-	2,955,478
Total expenses	<u>414,131,238</u>	<u>-</u>	<u>414,131,238</u>
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	<u>\$ 133,009,003</u>	<u>\$ 13,667,726</u>	<u>\$ 146,676,729</u>

See notes to consolidated financial statements.

**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Gifts-in-kind	\$ 239,088,300	\$ 2,540,736	\$ 241,629,036
Contributions	36,947,196	1,406,472	38,353,668
Government grants	4,019,133	-	4,019,133
Investment income, net	900,314	-	900,314
Net gain on disposition of assets	899,247	-	899,247
Other revenues	2,525,581	-	2,525,581
	<hr/>		
	284,379,771	3,947,208	288,326,979
 Net assets released from restrictions:			
Satisfaction of purpose restrictions	1,746,420	(1,746,420)	-
Satisfaction of time restrictions	5,514,332	(5,514,332)	-
	<hr/>		
	7,260,752	(7,260,752)	-
 Transportation service revenue	<hr/>	-	3,720,267
	3,720,267		
 Total revenues, gains and other support	<hr/>	(3,313,544)	292,047,246
	295,360,790		
 <b>Expenses</b>			
Program services:			
Unites States:			
Food and personal essentials	168,330,113	-	168,330,113
Disaster response	9,781,695	-	9,781,695
Educational and community support	70,278,059	-	70,278,059
International:			
Child-focused community development	42,970,745	-	42,970,745
Residential care	1,143,498	-	1,143,498
	<hr/>		
	292,504,110	-	292,504,110
 Supporting activities:			
Fundraising	12,761,936	-	12,761,936
Management and general	14,140,948	-	14,140,948
	<hr/>		
	26,902,884	-	26,902,884
 Transportation service expenses	<hr/>	-	3,808,176
	3,808,176		
 Total expenses	<hr/>	-	323,215,170
	323,215,170		
 Change in net assets	(27,854,380)	(3,313,544)	(31,167,924)
Net assets, beginning of year	111,421,155	10,106,410	121,527,565
	<hr/>		
Net assets, end of year	\$ 83,566,775	\$ 6,792,866	\$ 90,359,641
	<hr/>		

See notes to consolidated financial statements.

**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2020**

	Program Services					Supporting Activities					
	United States		International			Total Program Services	Fundraising	Management and General	Total Supporting Activities	Transportation Service Expenses	Total Expenses
	Food and Personal Essentials	Disaster Response	Educational and Community Support	Child- Focused Community Development	Residential Care						
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
Event sponsorship	-	-	-	-	-	-	1,271,110	-	1,271,110	-	1,271,110
Direct mail postage	-	-	-	-	-	-	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
	<u>\$ 227,649,665</u>	<u>\$ 4,834,928</u>	<u>\$ 108,301,297</u>	<u>\$ 42,838,627</u>	<u>\$ 906,396</u>	<u>\$ 384,530,913</u>	<u>\$ 13,894,566</u>	<u>\$ 12,750,281</u>	<u>\$ 26,644,847</u>	<u>\$ 2,955,478</u>	<u>\$ 414,131,238</u>

See notes to consolidated financial statements.



**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2019**

	Program Services					Supporting Activities					
	United States		International			Total Program Services	Fundraising	Management and General	Total Supporting Activities	Transportation Service Expenses	Total Expenses
	Food and Personal Essentials	Disaster Response	Educational and Community Support	Child- Focused Community Development	Residential Care						
Food and other necessities	\$ 161,246,205	\$ 8,409,277	\$ 68,089,948	\$ 31,565,997	\$ 177,826	\$ 269,489,253	\$ -	\$ -	\$ -	\$ -	\$ 269,489,253
Grants and other assistance	6,620	-	-	4,766,795	-	4,773,415	-	-	-	-	4,773,415
Shipping and handling	722,523	-	19,264	109,519	-	851,306	-	4,100	4,100	-	855,406
Salaries and benefits	3,745,478	813,727	1,266,857	4,808,692	497,763	11,132,517	3,524,440	6,744,981	10,269,421	1,877,600	23,279,538
Contract services	-	-	-	132,066	20,666	152,732	838,139	586,956	1,425,095	-	1,577,827
Fuel and licensing	410,356	35,842	190,975	-	-	637,173	-	-	-	822,812	1,459,985
Insurance	220,358	55,196	77,708	70,172	1,544	424,978	12,709	306,279	318,988	146,420	890,386
Travel	126,679	23,754	21,722	160,029	10,012	342,196	133,412	72,133	205,545	11,747	559,488
Supplies	166,763	8,859	33,316	54,737	909	264,584	18,496	29,177	47,673	10,677	322,934
Equipment	23,846	6,604	6,859	7,126	176	44,611	58,563	140,134	198,697	1,454	244,762
Information technology	17,417	2,796	6,813	50,023	5,792	82,841	39,011	2,159,442	2,198,453	19,830	2,301,124
Repair and maintenance	378,329	88,614	137,362	226,760	178,415	1,009,480	25,391	118,408	143,799	298,522	1,451,801
Printing	1,055	348	357	13,531	-	15,291	107,325	6,170	113,495	-	128,786
Telephone	19,079	5,608	6,211	58,277	29	89,204	181	84,116	84,297	6,566	180,067
Occupancy	198,520	63,130	60,433	421,220	156,490	899,793	22,038	171,990	194,028	18,278	1,112,099
Public relations	802	232	238	198	-	1,470	56,888	337,875	394,763	-	396,233
Office and other	25,408	7,447	7,620	138,429	1,722	180,626	41,872	899,035	940,907	2,878	1,124,411
Postage	70,656	17,337	21,163	60,933	1,994	172,083	94,221	278,425	372,646	5,133	549,862
Legal and accounting	8,525	745	3,968	54,898	5,550	73,686	-	1,862,947	1,862,947	17,095	1,953,728
Property and other taxes	20,196	5,838	6,657	2,547	-	35,238	50	40,329	40,379	7,839	83,456
Interest	35,587	3,196	16,468	367	13	55,631	653	140,189	140,842	70,264	266,737
Depreciation	885,711	233,145	304,120	268,429	84,597	1,776,002	64,367	158,262	222,629	491,061	2,489,692
Direct mail	-	-	-	-	-	-	4,140,263	-	4,140,263	-	4,140,263
Direct mail postage	-	-	-	-	-	-	2,579,526	-	2,579,526	-	2,579,526
Event sponsorship	-	-	-	-	-	-	397,370	-	397,370	-	397,370
Digital fundraising	-	-	-	-	-	-	501,442	-	501,442	-	501,442
Other fundraising	-	-	-	-	-	-	105,579	-	105,579	-	105,579
	<u>\$ 168,330,113</u>	<u>\$ 9,781,695</u>	<u>\$ 70,278,059</u>	<u>\$ 42,970,745</u>	<u>\$ 1,143,498</u>	<u>\$ 292,504,110</u>	<u>\$ 12,761,936</u>	<u>\$ 14,140,948</u>	<u>\$ 26,902,884</u>	<u>\$ 3,808,176</u>	<u>\$ 323,215,170</u>

See notes to consolidated financial statements.

**FEED THE CHILDREN, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 56,317,088	\$ (31,167,924)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,817,283	3,470,270
Net gain on disposition of assets	(1,109,077)	(899,247)
Net unrealized and realized gain on investments	(147,231)	(430,666)
Annuity actuarial change	34,982	18,356
Changes in operating assets and liabilities:		
Accounts receivable	272,566	(21,282)
Contributions receivable	(6,929,484)	1,831,421
Inventory	(50,744,526)	22,062,720
Prepaid expenses and other assets	155,077	68,348
Accounts payable and accrued liabilities	(312,119)	(936,850)
Net cash provided by (used in) operating activities	1,354,559	(6,004,854)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(7,632,754)	(10,434,524)
Proceeds from sales of investments	9,807,605	13,490,238
Purchases of internal-use software	(147,786)	(394,023)
Purchases of property and equipment	(722,644)	(987,325)
Proceeds from disposition of property and equipment	252,178	1,078,334
Proceeds from disposition of assets held for sale	2,846,755	3,310,690
Net cash provided by investing activities	4,403,354	6,063,390
<b>Cash Flows from Financing Activities</b>		
Principal payments on notes payable	(876,419)	(991,648)
Net proceeds from (payments on) line of credit	(1,000,000)	1,000,000
Net cash provided by (used in) financing activities	(1,876,419)	8,352
Net change in cash and cash equivalents	3,881,494	66,888
Cash and cash equivalents, beginning of year	1,640,483	1,573,595
Cash and cash equivalents, end of year	\$ 5,521,977	\$ 1,640,483
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 130,687	\$ 124,676
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Property and equipment financed through notes payable	\$ 200,320	\$ 1,716,888

## FEED THE CHILDREN, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### Note 1 – Nature of Organization and Activities

Feed the Children, Inc. (Feed the Children) 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 providing food, clothing, medical supplies, educational materials and other necessities for those without life's essentials. Every day, Feed the Children works diligently together with its community partners toward the vision that no child or family goes to bed hungry.

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

*Food and personal essentials* – 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* – 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. (see Note 2).

*Educational and community support* – 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.

Feed the Children provides services internationally through the following programs:

*Child-focused community development* – 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* – 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

Entities in which Feed the Children has a relationship that meet the consolidation criteria defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-810, *Consolidations*, are included in the accompanying consolidated financial statements (the financial statements), if material. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States using the accrual basis of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

These financial statements include the accounts of Feed the Children and its wholly owned subsidiaries and controlled affiliates: FTC Transportation, Inc. (FTCT), Feed the Children Kenya, Feed the Children Malawi, and Friends That Care Holding Co. Ltd. (FTCHC) (collectively, the Organization).

FTCT 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 Ontario, California; 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.

The Organization provides financial support and donates food and other essentials to its international subsidiaries and affiliates, who act in furtherance of the Organization's mission.

Feed the Children Kenya and Feed the Children Malawi each operate as a furtherance of the Organization's operations in their respective country. FTCHC 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. The carrying amount of the net assets of consolidated international affiliates at June 30, 2020 and 2019, is approximately \$5,700,000 and \$6,800,000, respectively. The total revenue and gains, excluding intercompany revenue, of these international affiliates was approximately \$1,300,000 and \$257,000 for the years ended June 30, 2020 and 2019, respectively.

Nonprofit affiliates in Tanzania, Uganda, Haiti, Guatemala, and Nicaragua have met applicable consolidation criteria, including either: control through direct or indirect ownership of a majority voting interest or sole corporate membership, a majority voting interest in the board of the affiliate, or contract or affiliation agreement. The aggregate carrying amount of the net assets of these international affiliates at June 30, 2020 and 2019, is approximately \$592,000 and \$888,000, respectively. The aggregate financial statements of these affiliates are not considered to be material to the consolidated financial statements of the Organization and, accordingly, are not included in the accompanying consolidated financial statements.

Certain other international nonprofit affiliates are not included in the accompanying consolidated financial statements because they have not met the consolidation criteria. Total support provided to nonconsolidated international affiliates for the year ended June 30, 2020, was approximately \$7,585,000, which is comprised of cash of \$4,600,000 and gifts-in-kind contributions of \$2,986,000. Total support provided to nonconsolidated international affiliates for the year ended June 30, 2019, was approximately \$6,508,000, which is comprised of cash of \$3,990,000 and gifts-in-kind contributions of \$2,518,000.

#### 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, 2020 and 2019, 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, 2020 and 2019, the Organization held \$2,948,703 and \$460,251, 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, 2020 or 2019.

#### 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 \$1,199 and \$6,403 at June 30, 2020 and 2019, 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).

### 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. Investment expenses are nominal due to the types of investments held.

Interest, dividends and net realized and unrealized gains and losses, less investment management fees, are reflected as part of investment income and are included in the change in net assets without donor restrictions in the accompanying consolidated statements of activities, unless their use is restricted by donor stipulation. Any investment income restricted by the donor that is received and expended in the same period is classified as unrestricted support. 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 \$72,218 and \$117,395 at June 30, 2020 and 2019, 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 \$1,307,077 and \$980,578 for the years ended June 30, 2020 and 2019, 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, 2019, an idle warehouse facility within the United States, with a carrying value of approximately \$3,121,000, was sold for approximately \$3,311,000. The resulting gain of approximately \$190,000 is reported within net gain on disposition of assets in the consolidating statement of activities for the year ended June 30, 2019. At June 30, 2019, assets held for sale included \$466,882 of land in the United States and \$1,890,631 of land and buildings located in Nairobi, Kenya. 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.

### 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, 2020 or 2019.

### Revenue recognition

The Organization follows 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

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, 2020, gifts-in-kind from two donors represented approximately 27% of total gifts-in-kind revenue. There were no significant gifts-in-kind revenue concentrations for the year ended June 30, 2019.

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 \$15.3 million as of June 30, 2020.

Transportation service revenue represents commercial transportation revenue from third parties and is recognized upon completion of delivery. Transportation service expenses represent direct and allocated operational expenses incurred to generate commercial transportation revenue from third parties.

#### Advertising

Advertising expenses, which primarily consist of direct mail appeals and related postage, are recognized when such appeals are mailed. These expenses are considered to be solely related to fundraising; accordingly, no joint costs are associated with these activities that would require allocation. Direct mail and related postage expenses for the years ended June 30, 2020 and 2019 were \$6,176,348 and \$6,719,789, 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. FTCT has historically sustained tax operating losses which could generate a future income tax benefit. However, FTCT has recorded a valuation allowance to offset any asset for the income tax benefit since management has determined that it is more likely than not that the benefit will not be realized due to uncertainty with respect to future operating profits, if any. Therefore, no provision for income taxes has been made in the financial statements.



### 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.

### Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets at June 30, 2019.

### Adoption of accounting pronouncement

The FASB issued Account Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The Organization adopted the new standard effective July 1, 2019, using a modified prospective basis, which had no impact on the financial statements.

### Accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As deferred by ASU No. 2020-05, the update is effective for the Organization for the year ending June 30, 2021. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is still evaluating the impact the standard will have on its financial statements and related disclosures; however, it will apply the guidance using the cumulative effect transition method. The cumulative effect (if any) of applying the standard will be accounted for as an adjustment to the opening balance of net assets at the date of initial application.

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. The new guidance is not applicable for lease with a term of 12 months or less. 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.

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

### Subsequent events

Management has evaluated subsequent events through December 11, 2020, the date the financial statements were available to be issued (see Note 15).

### **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, 2020 and 2019, \$726,000 and \$2,104,792, 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 for general expenditures.

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:

	2020	2019
Cash and cash equivalents	\$ 5,521,977	\$ 1,640,483
Accounts receivable	263,185	535,751
Pledges receivable, net	1,907,537	2,547,108
Investments	23,321,974	25,483,563
Total financial assets available	31,014,673	30,206,905

	2020	2019
Less:		
Amounts unavailable for general expenditures within one year:		
Amounts restricted by donors with purpose restrictions	1,650,398	1,705,022
Amounts unavailable to management without Board approval:		
Investments	22,595,974	23,378,771
	<u>22,595,974</u>	<u>23,378,771</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 6,768,301</u>	<u>\$ 5,123,112</u>

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:

	2020	2019
Gifts-in-kind receivable	\$ 10,109,791	\$ 2,540,736
Pledges receivable, net	1,907,537	2,547,108
	<u>\$ 12,017,328</u>	<u>\$ 5,087,844</u>

#### Note 5 – Investments

Investments consist of the following at June 30:

	2020	2019
Mutual funds	\$ 19,983,360	\$ 22,036,764
Money market accounts	180,067	154,283
Key man life insurance policies	3,158,547	3,292,516
	<u>\$ 23,321,974</u>	<u>\$ 25,483,563</u>

Net investment income consists of the following at June 30:

	2020	2019
Interest and dividends	\$ 464,807	\$ 708,126
Net realized and unrealized gain	150,724	432,823
Fees, net of other income	(257,464)	(240,635)
	<u>\$ 358,067</u>	<u>\$ 900,314</u>

## Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Life	2020	2019
Land		\$ 3,472,280	\$ 3,472,280
Buildings and improvements	5-40	25,876,033	26,140,479
Furniture, fixtures and equipment	3-5	7,807,482	11,834,131
Vehicles	3-7	1,736,523	1,867,274
Transportation equipment	3-7	5,883,866	6,374,231
		44,776,184	49,688,395
Accumulated depreciation		(26,205,670)	(29,395,072)
		<u>\$ 18,570,514</u>	<u>\$ 20,293,323</u>

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

	2020	2019
Property and equipment, net	\$ 18,570,514	\$ 20,293,323
Less: related debt	(2,039,304)	(2,715,403)
	<u>\$ 16,531,210</u>	<u>\$ 17,577,920</u>

## Note 7 – Line of Credit

The Organization has a revolving credit facility with its investment custodial bank that was increased from \$4,000,000 to \$6,000,000 in April 2020. 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 June 30, 2020 and 2019, were \$1,500,000 and \$2,500,000, respectively.

## Note 8 – Notes Payable

Notes payable consist of the following at June 30:

	2020	2019
FTCT notes payable to Daimler, collateralized by certain transportation equipment of FTCT, maturity dates ranging from January 2021 to August 2024, principal and interest payable monthly, interest ranging from 2.99% to 5.75% as of June 30, 2020	\$ 2,039,304	\$ 2,715,403

Future maturities of notes payable at June 30, 2020, are as follows:

Year ending June 30,	Amount
2021	\$ 791,079
2022	626,807
2023	420,064
2024	197,581
2025	3,773
	<u>\$ 2,039,304</u>

### 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, 2020 and 2019, is \$202,075 and \$167,093, 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:

	2020	2019
Available for operations	\$ 92,606,336	\$ 38,141,779
Net investment in property and equipment	16,531,210	17,577,920
Board-designated:		
Investments	23,321,974	25,483,563
Assets held for sale	549,483	2,363,513
Total Board-designated net assets	<u>23,871,457</u>	<u>27,847,076</u>
	<u>\$ 133,009,003</u>	<u>\$ 83,566,775</u>

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

	2020	2019
Residential care	\$ 836,137	\$ 1,636,995
Child-focused community development	805,944	59,710
Other	8,317	8,317
Total purpose restrictions	1,650,398	1,705,022
Time-restricted contributions receivable, primarily gifts-in-kind	12,017,328	5,087,844
	<u>\$ 13,667,726</u>	<u>\$ 6,792,866</u>

### 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, 2020 and 2019, collective contributions to the plans were \$407,835 and \$361,121, 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, 2020 and 2019.

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
2020:					
	Mutual funds	\$ 19,983,360	\$ 19,983,360	\$ -	\$ -
		Fair Value Measurements			
		Total	Level 1	Level 2	Level 3
2019:					
	Mutual funds	\$ 22,036,764	\$ 22,036,764	\$ -	\$ -

### 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. In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. The pandemic in the United States and throughout the world has resulted in substantial volatility in financial markets. 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 Feed the Children's investments and the amounts reported in the statements of financial position. Additionally, Feed the Children acknowledges the continued spread of COVID-19 could potentially negatively impact contributions and other support; however, 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 this uncertainty.

### Note 15 – Subsequent Events

Subsequent to June 30, 2020 and pursuant to an operational strategy to relocate its California distribution center to Arizona, the Organization entered into an agreement to sell its regional distribution center located in Ontario, California for approximately \$19 million. The Organization has also entered into a purchase agreement to purchase a distribution facility in Chandler, Arizona for approximately \$11 million. These transactions and the resulting relocation of the distribution center are expected to be finalized during fiscal year 2021.