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# Feed the Children, Inc.

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**Consolidated Financial Report**  
**June 30, 2023**

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## **Independent Auditor's Report**

To the Board of Directors  
Feed the Children, Inc.

### **Report on the Audits 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, 2023 and 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***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.

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 Audits 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 audits 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.

To the Board of Directors  
Feed the Children, Inc.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

**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 opinions on the consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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.



November 29, 2023

**Consolidated Statement of Financial Position**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,129,631	\$ 9,794,142
Investments (Note 10)	34,981,440	32,914,855
Contributions receivable (Note 4)	15,042,804	11,432,320
Inventory - Net of allowances	110,578,108	109,510,971
Grants receivable	908,818	53,324
Accounts receivable	5,810,713	324,000
Prepaid expenses and other assets	3,160,342	2,978,605
Property and equipment - Net (Note 5)	<u>25,743,418</u>	<u>26,162,166</u>
Total assets	<b><u>\$ 201,355,274</u></b>	<b><u>\$ 193,170,383</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,044,547	\$ 4,421,124
Line of credit (Note 6)	-	1,500,000
Liability under split-interest agreements (Note 2)	382,320	397,865
Notes payable (Note 7)	<u>1,874,221</u>	<u>2,052,439</u>
Total liabilities	6,301,088	8,371,428
<b>Net Assets</b>		
Without donor restrictions: (Note 8)		
Available for operations	110,513,747	107,157,535
Investment in property and equipment - Net of note payable	23,869,197	24,109,727
Board designated	<u>37,497,148</u>	<u>29,530,451</u>
Total without donor restrictions	171,880,092	160,797,713
With donor restrictions (Note 8)	<u>23,174,094</u>	<u>24,001,242</u>
Total net assets	<u>195,054,186</u>	<u>184,798,955</u>
Total liabilities and net assets	<b><u>\$ 201,355,274</u></b>	<b><u>\$ 193,170,383</u></b>

## Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
		\$	\$	\$	\$	\$
<b>Revenue, Gains (Losses), and Other Support</b>						
Contributions	43,813,953	3,527,186	47,341,139	46,403,337	3,481,926	49,885,263
Gifts-in-kind donations (Note 11)	432,344,781	14,155,676	446,500,457	316,961,413	18,688,959	335,650,372
Federal grants (Note 2)	3,994,040	-	3,994,040	998,819	-	998,819
Investment gain (loss) - Net of investment fees	2,541,550	-	2,541,550	(4,978,628)	-	(4,978,628)
Other revenue	5,810,508	-	5,810,508	3,312,207	-	3,312,207
Transportation service revenue	2,555,487	-	2,555,487	3,182,467	-	3,182,467
Total revenue, gains, and other support	491,060,319	17,682,862	508,743,181	365,879,615	22,170,885	388,050,500
Net assets released from restrictions	18,510,010	(18,510,010)	-	22,887,803	(22,887,803)	-
Total revenue, gains, other support, and net assets released from restrictions	509,570,329	(827,148)	508,743,181	388,767,418	(716,918)	388,050,500
<b>Expenses</b>						
Program services:						
United States - Food and personal essentials	284,767,274	-	284,767,274	197,154,498	-	197,154,498
United States - Disaster response	6,371,646	-	6,371,646	5,667,247	-	5,667,247
United States - Educational and community support	104,413,608	-	104,413,608	124,573,488	-	124,573,488
International - Child-focused community development	69,713,082	-	69,713,082	42,714,459	-	42,714,459
International - Residential care	285,063	-	285,063	500,186	-	500,186
Total program services	465,550,673	-	465,550,673	370,609,878	-	370,609,878
Support services:						
Management and general	14,609,325	-	14,609,325	11,930,324	-	11,930,324
Fundraising	15,410,972	-	15,410,972	17,149,881	-	17,149,881
Total support services	30,020,297	-	30,020,297	29,080,205	-	29,080,205
Transportation service expense	2,916,980	-	2,916,980	3,427,876	-	3,427,876
Total expenses	498,487,950	-	498,487,950	403,117,959	-	403,117,959
<b>Increase (Decrease) in Net Assets</b>	11,082,379	(827,148)	10,255,231	(14,350,541)	(716,918)	(15,067,459)
<b>Net Assets - Beginning of year</b>	160,797,713	24,001,242	184,798,955	175,148,254	24,718,160	199,866,414
<b>Net Assets - End of year</b>	<b>171,880,092</b>	<b>23,174,094</b>	<b>195,054,186</b>	<b>160,797,713</b>	<b>24,001,242</b>	<b>184,798,955</b>

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Nonprogram Services	Support Services		Total	
	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
Food and other necessities	\$ 276,365,490	\$ 6,306,511	\$ 102,488,096	\$ 59,290,742	\$ -	\$ -	\$ -	\$ -	\$ 444,450,839
Salaries and benefits	4,561,689	30,367	1,107,760	5,933,082	91,881	1,396,962	8,345,317	3,743,645	25,210,703
Grants and other assistance	450	-	-	223,058	145,974	-	-	-	369,482
Contract services	609	3	157	308,747	7,070	-	1,382,147	1,156,317	2,855,050
Fuel and licensing	609,509	7,474	124,002	103,549	-	701,065	-	-	1,545,599
Insurance	396,893	2,470	91,015	136,605	344	138,801	353,976	21,244	1,141,348
Travel	137,447	374	19,478	813,374	6,285	9,416	72,352	112,164	1,170,890
Supplies	201,355	9,121	9,756	359,968	1,903	10,337	68,831	16,876	678,147
Equipment	54,661	161	9,341	112,869	229	2,279	55,386	26,471	261,397
Information technology	72,778	1,976	24,011	154,308	5,526	13,348	1,864,893	64,915	2,201,755
Repair and maintenance	656,333	3,527	152,326	431,907	589	157,385	332,260	30,839	1,765,166
Telephone	28,711	143	6,689	129,596	244	5,566	117,780	141	288,870
Occupancy	245,705	1,024	58,502	531,627	18,338	18,145	76,543	29,247	979,131
Office and other	23,350	(379)	97	548,773	3,708	(45,090)	786,056	87,335	1,403,850
Postage	7,828	57	1,820	70,000	135	3,430	262,542	170,982	516,794
Legal and accounting	26,651	299	5,620	128,083	2,124	26,405	744,571	5,407	939,160
Property and other taxes	21,383	152	4,798	28,038	2	10,115	17,040	114	81,642
Interest	48,594	595	9,891	8,298	2	55,792	27,484	129	150,785
Depreciation	1,307,838	7,771	300,249	400,458	709	413,024	102,147	43,825	2,576,021
Direct mail	-	-	-	-	-	-	-	4,278,632	4,278,632
Direct mail postage	-	-	-	-	-	-	-	2,683,677	2,683,677
Sponsorship	-	-	-	-	-	-	-	1,523,958	1,523,958
Digital fundraising	-	-	-	-	-	-	-	1,368,868	1,368,868
Other fundraising	-	-	-	-	-	-	-	46,186	46,186
<b>Total functional expenses</b>	<b>\$ 284,767,274</b>	<b>\$ 6,371,646</b>	<b>\$ 104,413,608</b>	<b>\$ 69,713,082</b>	<b>\$ 285,063</b>	<b>\$ 2,916,980</b>	<b>\$ 14,609,325</b>	<b>\$ 15,410,972</b>	<b>\$ 498,487,950</b>

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services					Nonprogram Services	Support Services		Total
	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	
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
<b>Total functional expenses</b>	<b>\$ 197,154,498</b>	<b>\$ 5,667,247</b>	<b>\$ 124,573,488</b>	<b>\$ 42,714,459</b>	<b>\$ 500,186</b>	<b>\$ 3,427,876</b>	<b>\$ 11,930,324</b>	<b>\$ 17,149,881</b>	<b>\$ 403,117,959</b>



## Consolidated Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 10,255,231	\$ (15,067,459)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	2,847,621	2,665,213
Gain on disposal of property and equipment	(550,259)	(614,392)
Net unrealized and realized (gain) loss on investments	(1,941,867)	5,219,609
Annuity actuarial change	(15,545)	30,488
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(5,486,713)	(115,216)
Contributions and grants receivable	(4,465,978)	10,211,083
Inventory	(1,067,137)	1,678,053
Prepaid expenses and other assets	(453,337)	564,042
Accounts payable and accrued liabilities	(376,577)	(170,582)
Net cash and cash equivalents (used in) provided by operating activities	(1,254,561)	4,400,839
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,129,718)	(4,235,371)
Proceeds from sales and maturities of investments	1,005,000	3,991,756
Purchases of property and equipment	(2,191,465)	(3,215,997)
Proceeds from disposition of property and equipment	584,451	1,196,525
Net cash and cash equivalents used in investing activities	(1,731,732)	(2,263,087)
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	1,093,382	2,217,145
Payments on line of credit	(1,500,000)	-
Payments on notes payable	(1,271,600)	(1,412,948)
Net cash and cash equivalents (used in) provided by financing activities	(1,678,218)	804,197
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(4,664,511)	2,941,949
<b>Cash and Cash Equivalents - Beginning of year</b>	9,794,142	6,852,193
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,129,631</b>	<b>\$ 9,794,142</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 123,001	\$ 104,102

## Notes to Consolidated Financial Statements

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June 30, 2023 and 2022

### 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 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 for-profit 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 semi-tractor trailers operated by FTC Transportation, Inc.

*Educational and community support (United States)* - To empower the well-being of children and their families lacking life's essentials, 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.

## Notes to Consolidated Financial Statements

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June 30, 2023 and 2022

### **Note 1 - Nature of Business (Continued)**

*Residential care (International)* - The Organization provides for the well-being of at-risk, vulnerable and/or abandoned children 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 statement of activities and changes in net assets 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 statement of activities and changes in net assets. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. For the years ended June 30, 2023 and 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 12 for more information regarding potential losses.

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### **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, 2023 and 2022, the Organization held \$1,433,586 and \$730,750, 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, 2023 and 2022.

#### ***Accounts Receivable***

Accounts receivable primarily consist of amounts due from third parties for transportation services and amounts due from matured life insurance policies. 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 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 \$908,818 and \$53,324 at June 30, 2023 and 2022, respectively.

#### ***Contributions Receivable***

Unconditional promises to give cash are recorded at net present value, using estimated discount rates market participants would require applicable to the year in which the promise is received. Amortization of the discounts related to pledges receivable is 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 sufficient verifiable evidence exists documenting 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 59 percent and 33 percent of total contributions receivable at June 30, 2023 and 2022, respectively.

#### ***Investments***

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

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 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, 2023 and 2022, the Organization held \$5,575,738 and \$7,433,752, respectively, of inventory in international locations, with approximately \$4,949,000 and \$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 \$104,064 and \$81,751 at June 30, 2023 and 2022, 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.

#### ***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.

#### ***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 the Organization 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, 2023 and 2022 is \$382,320 and \$397,865, respectively. 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.

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### **Note 2 - Significant Accounting Policies (Continued)**

Certain projects of the Organization are funded primarily by grants from 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, 2023 and 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, 2023 and 2022 is approximately \$131,999,000 and \$154,699,000, respectively. 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. No deferred revenue for grants is recorded as of June 30, 2023 and 2022. 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, 2022 in the amount of \$23,000,000, which is considered a conditional contribution. Cumulative federal expenditures relating to this program were approximately \$3,958,000 and \$91,000 as of June 30, 2023 and 2022, respectively. Total grant revenue recognized from all federal grants was \$3,994,040 and \$998,819 for the years ended June 30, 2023 and 2022, respectively. The amount pledged through conditional contributions not yet recognized as revenue is approximately \$19,042,000 and \$22,909,000 as of June 30, 2023 and 2022, respectively.

#### **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 11. 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 11 for further details.

#### **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 for which the Organization recognizes third-party transportation service revenue, which is 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.

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### Note 2 - Significant Accounting Policies (Continued)

#### *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 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.

#### *Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including November 29, 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, 2023 and 2022, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions:

	2023	2022
Cash and cash equivalents	\$ 5,129,631	\$ 9,794,142
Accounts and grants receivable	1,305,607	377,324
Accounts receivable - Board designated	5,413,924	-
Cash contributions receivable	2,102,379	2,412,124
Investments	34,981,440	32,914,855
	<u>48,932,981</u>	<u>45,498,445</u>
Financial assets - At year end		
Less those unavailable for general expenditures within one year due to:		
Amounts restricted by donors with purpose restrictions	2,719,480	2,900,159
Board designations	33,306,007	28,688,666
	<u>36,025,487</u>	<u>31,588,825</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,907,494</u>	<u>\$ 13,909,620</u>

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.

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 \$31,741,440 and \$29,188,667, accounts receivable of \$5,413,924 and \$0, and assets held for sale of \$341,784, as of June 30, 2023 and 2022, respectively. Liquidation of these assets and any proceeds from sale may only be approved and spent at the discretion of the Board.

## Notes to Consolidated Financial Statements

**June 30, 2023 and 2022**

### Note 3 - Liquidity and Availability of Resources (Continued)

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, 2023 and 2022, \$3,240,000 and \$500,000, respectively, 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, 2023 and 2022:

	2023	2022
Gifts-in-kind receivable	\$ 12,940,425	\$ 9,020,196
Cash contributions receivable	2,102,379	2,412,124
Net contributions receivable	\$ 15,042,804	\$ 11,432,320

### Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Land	\$ 4,271,209	\$ 4,113,431	-
Buildings and improvements	27,778,614	27,942,590	5-40
Furniture, fixtures, and equipment	8,140,349	7,747,320	3-5
Vehicles	2,325,633	1,857,778	3-7
Transportation equipment	6,381,051	5,995,860	3-7
Total cost	48,896,856	47,656,979	
Accumulated depreciation	23,153,438	21,494,813	
Net property and equipment	\$ 25,743,418	\$ 26,162,166	

Depreciation expense for 2023 and 2022 was \$2,576,021 and \$2,445,493, respectively.

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

	2023	2022
Net property and equipment	\$ 25,743,418	\$ 26,162,166
Less related note payable	(1,874,221)	(2,052,439)
Total	\$ 23,869,197	\$ 24,109,727



## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 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. During the year, the LIBOR was replaced with the Secured Overnight Financing Rate (SOFR), and the applicable margin was amended to 1.6 percent when the outstanding principal balance is less than \$1,000,000, 1.35 percent when total outstanding is less than \$5,000,000, and 1.10 percent when total outstanding is greater than \$5,000,000. Borrowings against the line of credit at June 30, 2022 were \$1,500,000, with an interest rate of 2.69 percent. There were no borrowings against the line of credit at June 30, 2023.

### Note 7 - Notes Payable

Notes payable at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
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 6.85 percent as of June 30, 2023 and 2022, respectively.	\$ 1,874,221	\$ 2,052,439

Future maturities of notes payable at June 30, 2023 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 615,175
2025	450,418
2026	461,057
2027	310,553
2028	<u>37,018</u>
Total	<u>\$ 1,874,221</u>

### Note 8 - Net Assets

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

	<u>2023</u>	<u>2022</u>
Board-designated net assets:		
Investments	\$ 31,741,440	\$ 29,188,667
Assets held for sale	341,784	341,784
Accounts receivable	<u>5,413,924</u>	<u>-</u>
Total board-designated net assets	37,497,148	29,530,451
Available for operations	110,513,747	107,157,535
Investment in property and equipment - Net of note payable	<u>23,869,197</u>	<u>24,109,727</u>
Total	<u>\$ 171,880,092</u>	<u>\$ 160,797,713</u>

## Notes to Consolidated Financial Statements

**June 30, 2023 and 2022**

### **Note 8 - Net Assets (Continued)**

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

	2023	2022
Subject to expenditures for a specified purpose:		
Residential care	\$ 808,051	\$ 1,083,865
Child-focused community development, international	1,902,838	1,808,302
Food and personal essentials, USA	5,412,409	9,668,764
Other	7,992	7,991
Total subject to expenditures for a specified purpose	8,131,290	12,568,922
Time restricted - Contributions receivable:		
Gifts-in-kind receivable	12,940,425	9,020,196
Cash contributions receivable	2,102,379	2,412,124
Total time restricted	15,042,804	11,432,320
Total	\$ 23,174,094	\$ 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 years ended June 30, 2023 and 2022, collective contributions to the plans were \$588,325 and \$495,052, respectively.

### **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. U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

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.

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### Note 10 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2023 and 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, 2023			
	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, 2023
Investments:				
Mutual funds - Fixed income	\$ 8,509,697	\$ -	\$ -	\$ 8,509,697
Mutual funds - Equity	20,303,447	-	-	20,303,447
U.S. Treasury securities	-	3,592,457	-	3,592,457
Total investments	<u>\$ 28,813,144</u>	<u>\$ 3,592,457</u>	<u>\$ -</u>	<u>\$ 32,405,601</u>

	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	<u>\$ 26,260,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,260,065</u>

Not included in the table above, the Organization had \$493,213 and \$3,882,846 of money market accounts and \$2,082,626 and \$2,771,944 of key man life insurance policies as of June 30, 2023 and 2022, respectively.

### Note 11 - Gifts-in-kind Donations

Gifts-in-kind donations recognized within the consolidated statement of activities and changes in net assets consisted of the following for the years ended June 30:

	2023	2022
Food, beverages, and nutrition	\$ 196,261,221	\$ 108,365,249
Hygiene and home essentials	127,849,051	125,076,156
Books, educational supplies, and essentials	13,865,847	14,557,414
Eyeglasses, health, and medical supplies	42,398,974	14,107,409
Other assorted goods and services	66,125,364	73,544,144
Total	<u>\$ 446,500,457</u>	<u>\$ 335,650,372</u>

## Notes to Consolidated Financial Statements

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June 30, 2023 and 2022

### **Note 11 - 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. Categories of mission-related product include food, beverages, and nutrition; eyeglasses, health, and medical supplies; books, education supplies, and essentials; hygiene and home essentials; and other assorted goods. 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. 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, internal average values for like-kind items, and estimates of discounts from retail to approximate wholesale.

Donations of mission-related food and other necessities are valued based upon the estimated wholesale value that would be received in their principal market. 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. 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, 2023 and 2022, gifts-in-kind donations from 15 and 13 donors represented approximately 59 and 58 percent, respectively, of total gifts-in-kind revenue.

The total gift-in-kind donations with purpose restrictions as of June 30, 2023 and 2022 were \$5,411,809 and \$9,668,764, respectively. The total time-restricted donations as of June 30, 2023 and 2022 were \$12,940,425 and \$9,020,196, respectively. Additionally, the Organization does not sell gifts-in-kind donations and only distributes goods for program use.

### **Note 12 - 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 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.