

HUNGER RELIEF INTERNATIONAL INC.

**Financial Statements
December 31, 2018**

HUNGER RELIEF INTERNATIONAL INC.

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July 22, 2019

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

Independent Auditor's Report

We have audited the accompanying financial statements of Hunger Relief International Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunger Relief International Inc. as of December 31, 2018, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, Hunger Relief International Inc. adopted Financial Accounting Standards Board ASU No. 2016-14, Not-for-Profit Entities (Topic958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Hill, Barth & King LLC

Certified Public Accountants

HUNGER RELIEF INTERNATIONAL INC.

**Statement of Financial Position
December 31, 2018**

Assets	
Cash	\$ 76,438
Accounts receivable	1,501
Property and equipment – net	<u>25,012</u>
Total Assets	<u>\$ 102,951</u>
Liabilities	
Accounts payable and accrued expenses	\$ 19,072
Net Assets	
Without donor restrictions	<u>83,879</u>
Total Liabilities and Net Assets	<u>\$ 102,951</u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Support	\$ 795,363	\$ -	\$ 795,363
Other income	109	-	109
Net assets released from restriction due to satisfaction of time and purpose restrictions	<u>15,411</u>	<u>(15,411)</u>	<u>-</u>
Total Revenues	<u>810,883</u>	<u>(15,411)</u>	<u>795,472</u>
Expenses			
Program services	747,324	-	747,324
Management and general	25,847	-	25,847
Fundraising	<u>21,516</u>	<u>-</u>	<u>21,516</u>
Total Expenses	<u>794,687</u>	<u>-</u>	<u>794,687</u>
Change in Net Assets	16,196	(15,411)	785
Net Assets – Beginning of Year	<u>67,683</u>	<u>15,411</u>	<u>83,094</u>
Net Assets – End of Year	<u>\$ 83,879</u>	<u>\$ -</u>	<u>\$ 83,879</u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.

**Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Services	Management and General		Fundraising	Total
		General	Fundraising		
Compensation and Related Expenses					
Salaries and wages	\$ 55,660	\$ 2,420	\$ 2,420	\$ 2,420	\$ 60,500
Payroll taxes and benefits	4,816	217	217	217	5,250
Total Compensation and Related Expenses	60,476	2,637	2,637	2,637	65,750
Other Functional Expenses					
Direct program costs	570,125	-	-	-	570,125
Travel and meetings	20,483	196	1,250	1,250	21,929
Professional fees	25,195	16,189	2,529	2,529	43,913
Site expense	20,696	-	-	-	20,696
Office administration	40,040	6,825	6,718	6,718	53,583
Fundraising	-	-	8,382	8,382	8,382
Depreciation	10,309	-	-	-	10,309
Total Other Functional Expenses	686,848	23,210	18,879	18,879	728,937
Total Functional Expenses	\$ 747,324	\$ 25,847	\$ 21,516	\$ 21,516	\$ 794,687

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.

**Statement of Cash Flows
Year Ended December 31, 2018**

Cash Flows from Operating Activities	
Change in net assets	\$ 785
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,309
Increase in operating assets	
Accounts receivable	(1,501)
Decrease in operating liabilities	
Accounts payable and accrued expense	<u>(848)</u>
Net Cash Provided by Operating Activities	<u>8,745</u>
Cash Flows from Financing Activities	
Repayment on auto loan	<u>(4,250)</u>
Net Cash Used in Financing Activities	<u>(4,250)</u>
Increase in Cash	4,495
Cash - Beginning of Year	<u>71,943</u>
Cash - End of Year	<u>\$ 76,438</u>

See accompanying notes to financial statements

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements December 31, 2018

Note 1 - Organization

Hunger Relief International Inc. (the "Organization") is a not-for-profit organization, incorporated in the State of Oklahoma in April of 2010. The Organization is a Judeo-Christian relief and development organization working in partnership with local communities to alleviate the impact of hunger on the lives of malnourished children and their families as a first step in a long-term strategy to achieve family and community self-sufficiency. The principal office is located in Oklahoma City, Oklahoma with program operations in Haiti and Guatemala.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standard

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Hunger Relief International Inc. has adjusted the presentation of these statements accordingly.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets with donor restrictions as of December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

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

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

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued)
December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Equipment and Intangible Assets

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

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

Functional Expenses

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort
Direct program costs	Direct cost
Travel and meetings	Direct cost
Professional fees	Direct cost
Site expense	Direct cost
Office administration	Direct cost
Fundraising	Direct cost
Depreciation	Direct cost

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within 90 days of purchase.

HUNGER RELIEF INTERNATIONAL INC.

**Notes to Financial Statements(Continued)
December 31, 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluated all activity of the Organization through July 22, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

Note 3 - Concentration of Credit Risk

At various times during the year, the Organization's cash held in bank accounts may exceed the federally insured limits. At December 31, 2018, the Organization did not have any uninsured cash.

Note 4 - Property and Equipment

At December 31, 2018, property and equipment-net consisted of the following:

Vehicles	\$	49,500
Furniture, fixtures and equipment		<u>2,941</u>
Total property and equipment		52,441
Less: accumulated depreciation		<u>27,429</u>
Net	\$	<u>25,012</u>

Depreciation expense for the year ended December 31, 2018, was \$10,309.

Note 5 - Revenue Concentration

For the year ended December 31, 2018, the Organization received approximately 39% of revenue from one donor.

Note 6 - Net Assets with Donor Restrictions

Net assets released from net assets with donor restrictions are as follows for the year ended December 31, 2018:

Satisfaction of purpose restrictions:		
Loving Arms	\$	161
Dormitories		15,000
Scholarships		<u>250</u>
Total	\$	<u>15,411</u>

HUNGER RELIEF INTERNATIONAL INC.

Notes to Financial Statements(Continued)
December 31, 2018

Note 7 - Liquidity and Availability

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$50,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates.

The following represents the financial assets at December 31, 2018:

Cash	\$	76,438
Accounts receivable		<u>1,501</u>
Total financial assets		77,939
Less amounts not available to be used within one year		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>77,939</u>