



FOOD FOR THE POOR, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

FOOD FOR THE POOR, INC.

TABLE OF CONTENTS

Financial Statements:

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee
Food for the Poor, Inc.
Coconut Creek, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Food for the Poor, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Food for the Poor, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020 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, and grant agreements and other matters. The purpose of that report is 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 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.



Boca Raton, Florida
June 17, 2020

FOOD FOR THE POOR, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019
(With Comparative Total as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,651,736	\$ 7,519,217
Contributions receivable	1,746,327	2,079,957
Promises to give, net	2,497,667	1,258,960
Other receivable	-	146,447
Goods pending distribution	2,998,258	4,787,574
Prepaid expenses	957,081	1,064,733
Other assets	533,431	297,021
TOTAL CURRENT ASSETS	<u>32,384,500</u>	<u>17,153,909</u>
PROPERTY, BUILDING AND EQUIPMENT, at cost, less accumulated depreciation	<u>12,090,856</u>	<u>14,849,816</u>
TOTAL ASSETS	<u>\$ 44,475,356</u>	<u>\$ 32,003,725</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 500,000
Accounts payable and accrued liabilities	<u>5,822,176</u>	<u>5,738,116</u>
TOTAL CURRENT LIABILITIES	<u>5,822,176</u>	<u>6,238,116</u>
NET ASSETS		
Without donor restrictions	35,941,835	24,286,815
With donor restrictions	<u>2,711,345</u>	<u>1,478,794</u>
TOTAL NET ASSETS	<u>38,653,180</u>	<u>25,765,609</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,475,356</u>	<u>\$ 32,003,725</u>

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
SUPPORT AND REVENUE				
Contributions:				
Cash	\$ 132,127,066	\$ 39,981	\$ 132,167,047	\$ 137,897,654
Donated goods	775,693,202	-	775,693,202	802,004,114
Promises to give	1,592,289	2,696,413	4,288,702	2,508,232
Investment earnings	95,730	-	95,730	76,606
Other income	142,020	-	142,020	149,658
Net assets released from restrictions	1,503,843	(1,503,843)	-	-
TOTAL SUPPORT AND REVENUE	911,154,150	1,232,551	912,386,701	942,636,264
EXPENSES				
Program services:				
Goods and aid supplied	852,254,312	-	852,254,312	897,871,890
Total program services	852,254,312	-	852,254,312	897,871,890
Supporting services:				
Fundraising	36,798,890	-	36,798,890	44,134,680
Management and general	13,108,438	-	13,108,438	11,116,713
Total supporting services	49,907,328	-	49,907,328	55,251,393
TOTAL EXPENSES	902,161,640	-	902,161,640	953,123,283
Excess (deficit) of operating revenues over expenses	8,992,510	1,232,551	10,225,061	(10,487,019)
Gain on sale of land	2,662,510	-	2,662,510	-
CHANGE IN NET ASSETS	11,655,020	1,232,551	12,887,571	(10,487,019)
NET ASSETS - Beginning	24,286,815	1,478,794	25,765,609	36,252,628
NET ASSETS - Ending	<u>\$ 35,941,835</u>	<u>\$ 2,711,345</u>	<u>\$ 38,653,180</u>	<u>\$ 25,765,609</u>

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program	Supporting Services			Totals	
	Goods and Aid Supplied	Fundraising Expenses	Management and General Expenses	Total	2019	2018
Food, medical and other commodities	\$ 790,286,845	\$ -	\$ -	\$ -	\$ 790,286,845	\$ 821,877,942
Grants and other assistance	40,224,070	-	-	-	40,224,070	48,871,102
Salaries and related expenses	4,427,381	14,809,621	7,297,171	22,106,792	26,534,173	26,626,961
Freight	16,551,565	-	-	-	16,551,565	21,753,769
Printed materials and publicity	19,963	13,138,015	18,295	13,156,310	13,176,273	16,772,982
Postage	36,364	6,209,712	28,611	6,238,323	6,274,687	9,154,861
Travel	137,143	1,545,585	109,455	1,655,040	1,792,183	2,116,805
Other office expenses	69,097	153,622	1,110,318	1,263,940	1,333,037	1,437,764
Professional services	54,917	370,286	1,756,128	2,126,414	2,181,331	1,583,774
Depreciation	126,886	84,591	384,223	468,814	595,700	691,433
Office supplies	13,493	124,060	129,712	253,772	267,265	308,749
Data processing	81,990	129,833	779,615	909,448	991,438	666,940
Repairs and maintenance	102,509	70,813	72,781	143,594	246,103	263,672
Insurance	-	659	229,974	230,633	230,633	203,320
Courier and miscellaneous freight	33,603	84,558	6,571	91,129	124,732	135,719
Telephone	33,934	41,167	87,202	128,369	162,303	135,224
Occupancy	54,552	36,368	38,966	75,334	129,886	130,978
Interest	-	-	19,140	19,140	19,140	60,237
Total expenses before uncollectible pledges	852,254,312	36,798,890	12,068,162	48,867,052	901,121,364	952,792,232
Uncollectible pledges	-	-	1,040,276	1,040,276	1,040,276	331,051
Total expenses	\$ 852,254,312	\$ 36,798,890	\$ 13,108,438	\$ 49,907,328	\$ 902,161,640	\$ 953,123,283

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,887,571	\$ (10,487,019)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	595,700	691,433
(Gain) on disposal of fixed assets	(2,662,510)	(37,203)
Provision for losses on promises to give	1,040,276	331,051
Change in in-kind goods pending distribution	1,892,569	(4,511,323)
Decrease (increase) in operating assets:		
Contributions receivable	333,630	2,099,289
Promises to give	(2,278,983)	(407,555)
Other receivable	146,447	(113,947)
Goods pending distribution	(103,253)	(612)
Prepaid expenses	107,652	(4,982)
Other assets	(236,410)	292,737
Increase in operating liabilities:		
Accounts payable and accrued liabilities	84,060	737,930
NET CASH FLOWS FROM OPERATING ACTIVITIES	11,806,749	(11,410,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property and equipment	4,850,755	60,100
Acquisition of property and equipment	(24,985)	(402,688)
NET CASH FLOWS FROM INVESTING ACTIVITIES	4,825,770	(342,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments of) advances from line of credit	(500,000)	500,000
NET CASH FLOWS FROM INVESTING ACTIVITIES	(500,000)	500,000
NET INCREASE (DECREASE) IN CASH	16,132,519	(11,252,789)
CASH, BEGINNING OF YEAR	7,519,217	18,772,006
CASH, END OF YEAR	\$ 23,651,736	\$ 7,519,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 19,140	\$ 60,237

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies

Nature of activities - Food for the Poor, Inc. (the "Organization") is a not-for-profit corporation engaged in the collection and distribution of money, food, clothing, medicine and other goods to improve the health, economic and social conditions of indigent poor throughout the world. Activities are concentrated in the Caribbean and Latin America.

To help fulfill its mission, the Organization establishes projects throughout the year. These non-contractual programs are budgeted and funded over the course of the year. However, funding for some of these projects may extend beyond the year end. The balance to be apportioned based on project budgets as of December 31, 2019 was approximately \$9,461,000 and will be categorized as goods and aid supplied in the statement of activities.

Basis of accounting and presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("US GAAP") which requires that the Organization report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions. Net assets without donor restriction also include the investment in property, building, and equipment, net of accumulated depreciation, and contributions receivable.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets at December 31, 2019 where the donor-imposed restriction was perpetual in nature.

The Organization classifies program services into the following category:

Goods and Aid Supplied Program - The Organization distributes the majority of its contributions directly to programs that help the poor.

Cash and cash equivalents - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Contributions receivable - Contributions receivable represent contributions without donor restrictions that are awaiting settlement by one of the Organization's credit card merchants. Such settlements occur generally within one week.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Goods pending distribution - The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value at the date of donation and the purchased goods are stated at cost at the time of purchase. At December 31, 2019, the Organization had approximately \$3,000,000 of goods pending distribution.

Property, building and equipment - Acquisitions of property, building and equipment in excess of \$1,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property, building and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land is reported at cost. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Other repairs and maintenance are charged to expense as incurred.

Donations of property, building and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose.

Contributions – Contributions are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

The Organization classifies contributions received with donor-imposed restrictions where the restrictions are satisfied in the same reporting period as contributions without donor restrictions.

Promises to give - Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that included donor imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions.

The Organization uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization also discounts to present value the estimated future cash flows using an appropriate market rate of interest for its promises to give greater than one year. Therefore, promises to give are recorded at their net realizable value.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Gifts-in-kind - Gifts-in-kind ("GIK") received through private donations are recorded and valued as revenue 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 or most advantageous market, even though, in fulfillment of its mission, the Organization may not distribute goods in the principal or most advantageous market.

Non-pharmaceutical GIK contributions received are valued at their estimated wholesale value as provided by the donor or, in the absence of the donor's reasonable valuation, estimated by the Organization using like-kind analyses and past donation history.

Pharmaceutical GIK contributions received are valued using costing data acquired from recognized and published resources and are valued at their estimated wholesale acquisition cost ("WAC") on a drug by drug basis. If WAC is not available in any published source, the Organization will refer to the donor's value. This valuation policy most resembles one used by a wholesale distributor of goods, which is the market role the Organization has in the acquisition and shipment of pharmaceutical donations. Pharmaceutical GIK contributions acquired from non-U.S. donors for products legally permissible to be sold outside the United States are valued in U.S. dollars based upon the wholesale market price of the countries representing the principal exit markets for those products.

GIK expenses are recorded when the goods are shipped for program use, generally to third party aid organizations.

Freight - Shipping and handling costs are included in goods pending distribution in the accompanying statement of financial position upon receipt of goods and are expensed and included in goods and aid supplied in the accompanying statement of activities upon the shipment to recipients.

Functional expenses - The cost of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services primarily based on a percentage of estimated utilized square footage of the Organization's facility. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising - Advertising costs are expensed as incurred and were approximately \$263,000 for the year ended December 31, 2019 and are included with printed materials and publicity in the accompanying statement of functional expenses.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Use of estimates - The accompanying financial statements have been prepared in conformity with US GAAP. In preparing the financial statements, management is required 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. Estimates also affect the reported amounts of support and revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant of these estimates relates to the estimation of the fair value of GIK.

Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Income taxes - The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and is exempt from Federal income taxes, except that unrelated business income is taxable. The Organization had no material unrelated business income during the year ended December 31, 2019. US GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2016.

New accounting pronouncement – In August 2016, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*. The update addresses diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. The update is an improvement to US GAAP as it provides guidance to reduce these diversities in practice. The Organization adopted ASU 2016-15 on January 1, 2019 and has applied the update using a retrospective transition method to each period presented. Adoption did not have a material impact on the Organization’s financial statements.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

New accounting pronouncement (continued)

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash, a consensus of the FASB Emerging Issues Task Force*. The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are to be applied using a retrospective transition method to each period presented. The Organization adopted the provisions of this update on January 1, 2019. Adoption did not have a material impact on the Organization's financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in ASU 2018-18 are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-18 for transactions in which it serves as the resource recipient on January 1, 2019 using a modified prospective method. Adoption did not have a material impact on the Organization's financial statements. The Organization is to apply the amendments related to transactions in which it serves as the resource provider to annual periods beginning after December 15, 2019. The amendments can be applied on a modified prospective basis or retrospectively. The Organization has yet to choose an implementation method and has yet to determine the impact that these amendments may have on its financial statements.

Comparative data – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

(2) Liquidity and Availability

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and cash equivalents, contributions receivable, and promises to give. The Organization also had a line of credit available through August 10, 2019.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(2) Liquidity and Availability (continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of distributing goods and funds to the poor as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following tables show the total financial assets held by the Organization and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at December 31, 2019.

Financial assets at year end:

Cash and cash equivalents	\$ 23,651,736
Contributions receivable	1,746,327
Promises to give, net	<u>2,497,667</u>
Total financial assets at year end	<u>\$ 27,895,730</u>

Financial assets available to meet general expenditures over the next 12 months:

Cash and cash equivalents	\$ 23,365,487
Contributions receivable	1,746,327
Promises to give for general expenditures due in one year or less	<u>1,020,037</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 26,131,851</u>

(3) Concentrations of risk

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash and support from major contributors.

Cash - As of December 31, 2019, the Organization had cash balances of approximately \$9,700,000 in excess of federally insured limits. The Organization maintains its cash with high quality financial institutions which the Organization believes limits its risks.

Support from major contributors - The Organization received approximately 51% of total support and revenue from three donors during 2019. These contributions were in the form of donated goods.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Promises to give

Promises to give consist of the following at December 31, 2019:

Receivable in less than one year	\$	1,572,234
Receivable in one to five years		1,682,484
Total promises to give		3,254,718
Less: allowance for uncollectible promises to give		(700,000)
Less: discount to present value		(57,051)
Net promises to give	\$	2,497,667

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.62% for the year ended December 31, 2019.

(5) Property, building and equipment

Property, building and equipment consist of the following at December 31, 2019:

		<u>Estimated Useful Lives</u>
Land	\$ 3,952,143	-
Land improvements	1,030,140	20 years
Building	10,064,398	40 years
Furniture and fixtures	749,731	7 years
Equipment	2,697,007	5-10 years
Vehicles	181,370	5 years
	18,674,789	
Less: accumulated depreciation	(6,583,933)	
Total property, building and equipment, net	\$ 12,090,856	

Depreciation expense for the year ended December 31, 2019 was approximately \$596,000.

In November 2019, the Organization completed a sale of approximately seven acres of land adjacent to the Organization's facility in Coconut Creek, Florida. The Organization recognized a gain of approximately \$2,700,000 on this transaction during the year end December 31, 2019.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Gift annuities

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$58,000 at December 31, 2019 and called for the Organization to make fixed annual payments to the donors in future years. The Organization has agreements with two top rated insurance companies whereby the insurance companies would assume the annuity payment liabilities. The liability represents the present value of the future payouts using an average discount rate of 2.20%. The Organization pays the insurance company the present value of the annuities.

The Organization remains contingently liable for the future payments on the gift annuities in the event that the insurance companies default on the payments. As of December 31, 2019, the Organization was contingently liable for reinsured gift annuities totaling approximately \$5,524,000.

(7) Line of credit

The Organization had a revolving line of credit, as amended, which expired on August 10, 2019, and provided for the issuance of commercial letters of credit and direct advances for short-term working capital needs up to \$8 million. The line of credit was not renewed by the bank. Interest was charged at one-month LIBOR plus 1.75% and was payable monthly. The line of credit was collateralized by substantially all assets of the Organization, except for the corporate headquarters and warehouse and contained financial and non-financial covenants. Interest expense incurred under the line of credit during the year ended December 31, 2019 was approximately \$19,000.

(8) Net assets with donor imposed restrictions

Net assets with donor imposed restrictions are available for the following as of December 31, 2019:

Promises to give (time restrictions)	\$ 688,053
Promises to give (purpose restrictions)	1,763,877
Goods and aid	<u>259,415</u>
Net assets with donor imposed restrictions	<u>\$ 2,711,345</u>

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Net assets with donor imposed restrictions (continued)

Net assets with donor imposed restrictions were released during the year ended December 31, 2019 for the following purposes:

Satisfactions of promises to give (time restrictions)	\$ 1,503,443
Goods and aid distributed	<u>400</u>
 Total net assets released from donor imposed restrictions	 <u>\$ 1,503,843</u>

(9) Related parties and other organizations

Associated charities - The Organization is associated with four charities. These charities were established with the name "Food for the Poor – (country name)" and are based in Canada, Jamaica, Haiti and Guyana. Except for Food for the Poor – Canada, each of the charities operates distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2019, the Organization made distributions of approximately \$309,700,000 to these associated charities.

Related charities - The Organization distributes goods through various charities in which some board members hold executive positions. In 2019, the Organization made distributions of approximately \$2,200,000 through these related charities.

Distributions - Goods and aid supplied in the accompanying statement of activities includes the distributions made to associated and related charities totaling approximately \$311,900,000, of which approximately \$22,700,000 was in cash and approximately \$289,200,000 was in goods for the year ended December 31, 2019.

(10) Contingencies and subsequent event

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended December 31, 2019.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Contingencies and subsequent event (continued)

Certain grants awarded by the U.S. Government are subject to appropriations and funding thereof that may result in delays or even suspension of funding as a result of U.S. Government budgetary constraints imposed by the U.S. Congress.

On March 12, 2018 the Organization received a partial Cease and Desist Order (the "Order") from the Attorney General of California that allowed the Organization to fundraise and operate in the State, but required the Organization to remove certain specific language from its solicitations. The Organization denied any wrong doing and retained legal counsel. A hearing was held that ended on December 12, 2018 and subsequent oral arguments were finalized in August 2019. On September 6, 2019, the Administrative Judge published their decision and found that the State did not prove its case regarding improper GIK valuation and had not proved there was any violation of the Organization's application of US GAAP in their financial statements. However, the Administrative Judge determined that the Organization was misleading in the language contained in certain solicitations and allowed the State of California to assess a fine of \$1,000,000, which is not due until after an appeal process is exhausted. Pursuant to California rules of procedure, the Organization notified the Attorney General and the Administrative Hearings Office of its intent to appeal. The appeal was filed on May 8, 2020. The Organization's legal counsel is optimistic of a favorable result and because the final outcome cannot be determined at this time, no accrual has been recognized in the financial statements.

In 2018 and years prior, the Organization received correspondence from several states including Utah, Minnesota and South Carolina relating to their charity registrations. To date, no additional information has been requested from the Organization by any of the aforementioned states and no action has been taken against the Organization, nor has the Organization been notified that any such action is imminent or probable. In July 2019, the Organization met with the Florida Attorney General's office to discuss the Organization's solicitation materials and its validation process for documenting receipt of program grants and provided requested documentation in August 2019. There has been no additional inquiry, nor has the Organization been notified that any further action is forthcoming.

(11) Retirement plan

The Organization maintains a 403(b)(7) ERISA Title 1 Plan which covers all employees. Participants may elect to contribute up to 100% of their wages, as limited by current federal tax law. Additionally, the Organization matches 50% of participating employees' contributions up to the first 6% of their salary deferral. For 2019, the Organization accrued approximately \$386,000 of contributions to this plan all of which is included in accounts payable and accrued liabilities in the accompanying statement of financial position and salaries and related expenses in the accompanying statement of functional expenses. The assets of the 403(b)(7) Plan are the property of the Plan's participants and their beneficiaries; therefore, the assets of the Plan are not included in the accompanying financial statements.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(12) Subsequent events

Management has evaluated subsequent events through June 17, 2020 which is the date that the financial statements were available to be issued. As a result of the spread of the COVID-19, uncertainties have arisen that could have material adverse impacts on revenue and contribution activities carried out by the Organization as a substantial amount of charitable contributions to the Organization are the result of appeals made through Organization volunteer presentations at religious gatherings around the United States. Many state and local governments temporarily suspended such religious gatherings or have limited capacity at such gatherings. In addition, the impact of COVID-19 on the general economy could have a negative impact on future contributions and may delay payment on promises to give. While the impact of COVID-19 is currently expected to be temporary, there is considerable uncertainty regarding the duration. Other financial impacts could occur though such potential impact is unknown at this time. On April 20, 2020, the Organization received loan proceeds totaling approximately \$4,600,000 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The proceeds are eligible for forgiveness should the funds be used for certain expenses as outlined in the CARES Act and as confirmed by the Small Business Administration. Any proceeds failing to qualify for loan forgiveness are subject to an annual fixed interest rate of 1.00% and are to be repaid monthly so that such amounts are repaid no later than five years from the funding date of the loan.

Except for the matter described above and in Note 10, the Organization is not aware of any other events that have occurred subsequent to the balance sheet that would require adjustment to, or disclosure in, the accompanying financial statements.