

Stop Hunger Now, Inc.

Report on Financial Statements

***For the year ended December 31, 2016
With Comparative Totals for 2015***

Stop Hunger Now, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-18



Independent Auditor's Report

To the Board of Directors
Stop Hunger Now, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Stop Hunger Now, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stop Hunger Now, Inc. as of December 31, 2016, 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 Stop Hunger Now, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Elliott Davis Decosimo, PLLC

Raleigh, North Carolina

April 24, 2017

Stop Hunger Now, Inc.

Statements of Financial Position

As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 6,623,905	\$ 5,446,006
Grants and contributions receivable	430,522	104,530
Accounts receivable	513,799	509,664
Other receivables	104,524	95,937
Inventory		
Purchased	702,103	620,934
Donated	85,255	319,931
Prepaid expenses	159,692	219,801
Total current assets	<u>8,619,800</u>	<u>7,316,803</u>
<i>Property and equipment, net</i>	344,977	272,085
<i>Other assets - deposits</i>	75,155	60,599
Total assets	<u>\$ 9,039,932</u>	<u>\$ 7,649,487</u>
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable	\$ 1,514,814	\$ 1,001,389
Accrued expenses	274,946	234,960
Unearned revenue	1,113,692	1,042,193
Current portion of lease payable	50,168	39,421
Current portion of notes payable	5,151	4,863
Current portion of deferred rent	14,883	23,687
Total current liabilities	<u>2,973,654</u>	<u>2,346,513</u>
<i>Long-term liabilities</i>		
Non-current portion of lease payable	47,312	79,006
Non-current portion of notes payable	8,019	13,143
Non-current portion of deferred rent	26,748	37,118
Total long-term liabilities	<u>82,079</u>	<u>129,267</u>
Total liabilities	<u>3,055,733</u>	<u>2,475,780</u>
<i>Net assets</i>		
Unrestricted	5,694,272	5,003,530
Temporarily restricted	289,927	170,177
Total net assets	<u>5,984,199</u>	<u>5,173,707</u>
Total liabilities and net assets	<u>\$ 9,039,932</u>	<u>\$ 7,649,487</u>

See Notes to Financial Statements.

Stop Hunger Now, Inc.**Statements of Activities****For the year ended December 31, 2016 with summarized financial information for the year ended December 31, 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Grants and contributions	\$ 21,097,301	\$ 162,702	\$ 21,260,003	\$ 19,007,060
Donated inventory	17,391,953	-	17,391,953	14,805,569
Donated rent	126,720	-	126,720	-
Donated services	22,677	-	22,677	5,916
Sales revenue	64,234	-	64,234	76,604
Interest and dividends	1,640	-	1,640	936
Loss on sale of equipment	(6,622)	-	(6,622)	(6,647)
Net assets released from restrictions	42,952	(42,952)	-	-
Total support and revenues	38,740,855	119,750	38,860,605	33,889,438
Expenses:				
Program services	32,217,630	-	32,217,630	26,877,346
Management and general	4,394,859	-	4,394,859	3,521,681
Fundraising activities	1,437,624	-	1,437,624	1,247,839
Total expenses	38,050,113	-	38,050,113	31,646,866
Changes in net assets	690,742	119,750	810,492	2,242,572
Net assets at beginning of year	5,003,530	170,177	5,173,707	2,931,135
Net assets at end of year	<u>\$ 5,694,272</u>	<u>\$ 289,927</u>	<u>\$ 5,984,199</u>	<u>\$ 5,173,707</u>

Stop Hunger Now, Inc.**Statements of Functional Expenses****For the year ended December 31, 2016 with summarized financial information for the year ended December 31, 2015**

	2016			2015	
	Program Services	Management and General	Fundraising Activities	Total	Total
Meal packaging program	\$ 6,796,104	\$ -	\$ -	\$ 6,796,104	\$ 6,592,586
Grants to others	17,697,375	-	-	17,697,375	14,649,958
Program services - other	318,295	-	-	318,295	270,137
Salaries	4,131,753	1,441,199	845,867	6,418,819	4,911,788
Payroll taxes and benefits	1,002,931	338,216	133,598	1,474,745	995,017
Retirement	149,697	47,363	34,147	231,207	148,549
Rent	1,109,625	106,412	-	1,216,037	1,010,597
Printing and reproduction	23,158	18,517	18,956	60,631	70,555
Marketing, public relations and advertising	-	50,809	3,428	54,237	72,713
Bank service charges	-	78,590	-	78,590	54,765
Depreciation	87,035	29,455	-	116,490	110,802
Dues and subscriptions	15,304	27,009	11,729	54,042	47,637
Insurance	-	219,701	-	219,701	155,396
Professional fees	113,423	1,307,617	172,506	1,593,546	1,183,501
Office supplies	96,518	22,473	2,863	121,854	24,142
Licenses and permits	1,978	11,655	-	13,633	12,483
Repairs and maintenance	54,394	7,609	-	62,003	66,223
Telephone and internet	-	25,409	617	26,026	19,435
Travel	566,195	143,286	166,412	875,893	637,784
Meetings and training	35,502	122,699	17,640	175,841	143,877
Postage	14,371	12,178	20,719	47,268	53,637
Information technology	3,972	384,662	9,142	397,776	415,284
Total Expenses	<u>\$ 32,217,630</u>	<u>\$ 4,394,859</u>	<u>\$ 1,437,624</u>	<u>\$ 38,050,113</u>	<u>\$ 31,646,866</u>

Stop Hunger Now, Inc.**Statements of Cash Flows****For the years ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 810,492	\$ 2,242,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,490	110,802
Loss on disposal of equipment	6,622	6,647
Donated inventory	(17,391,953)	(14,805,569)
Distributed inventory	17,626,629	14,576,058
(Increase) decrease in assets:		
Grants and contributions receivable	(325,992)	(96,330)
Accounts receivable	(4,135)	(69,628)
Purchased inventory	(81,169)	41,774
Prepaid expenses	60,109	81,427
Other receivables	(8,587)	(548)
Deposits	(14,556)	1,482
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	553,411	374,520
Deferred rent	(19,174)	(10,656)
Unearned revenue	71,499	228,378
Net cash provided by operating activities	<u>1,399,686</u>	<u>2,680,929</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	580	2,000
Purchases of equipment	(172,978)	(32,495)
Net cash used in investing activities	<u>(172,398)</u>	<u>(30,495)</u>
Cash flows from financing activities:		
Repayments on notes payable	(4,836)	(4,585)
Repayments on capital lease obligations	(44,553)	(20,629)
Net cash used in financing activities	<u>(49,389)</u>	<u>(25,214)</u>
Net increase in cash and cash equivalents	1,177,899	2,625,220
Cash and cash equivalents at beginning of the year	5,446,006	2,820,786
Cash and cash equivalents at end of the year	<u>\$ 6,623,905</u>	<u>\$ 5,446,006</u>
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	<u>\$ 6,812</u>	<u>\$ 5,700</u>
Noncash investing and financing transactions:		
Acquisition of equipment by capital lease	<u>\$ 23,606</u>	<u>\$ 76,854</u>

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies

Nature of activities:

Stop Hunger Now, Inc. (the Organization) is a non-profit international hunger relief organization that is driven by a vision of a world without hunger, and a mission to end hunger in our lifetime by providing food and life-changing aid to the world's most vulnerable and by creating a global commitment to mobilize the necessary resources.

Mission in action:

The Organization accomplishes its mission by distributing nutritious meals to recipients around the world, involving volunteers around the world in the movement to end hunger through its meal packaging program, procuring and donating in-kind aid that is distributed to those in need, and providing funding and technical support for projects that support sustainable community development and build capacity among partner organizations.

The Organization's popular community-supported meal packaging events are ideal for corporate social responsibility or volunteer service projects for community leaders and volunteers from local corporations, faith congregations, schools, colleges and universities, and civic organizations who package high-protein, highly nutritious meals.

Opportunities for sustainable growth:

The meals and other forms of aid are distributed primarily to support transformational development through school feeding programs, vocational training programs, medical clinics and orphanages in developing countries. Feeding programs provide a sustainable model by encouraging disadvantaged children, youth and adults to participate in educational and skills development programs.

In 2016, the Organization and its affiliates' volunteers packaged 64 million meals for distribution to 34 impact partners in 43 countries. Each partner serves different demographic and recipient populations. The Organization estimates that they reached 1,047,000 beneficiaries around the world with nourishing meals and sustainable programs including agriculture and aquaculture.

The movement to end hunger:

The Organization is expanding its meal packaging program to further the movement to end hunger, which will not grow without reaching more people who want to make a difference, engaging them in hands-on service and empowering them to do more.

The Organization has engaged people around the world to end hunger through the formation of independent non-governmental organization ("NGO") affiliates. In 2016, Stop Hunger Now had affiliates in South Africa, Italy, the Philippines, Malaysia, India and Peru. Organization affiliates have access to Stop Hunger Now know-how, branding, and operational support.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

The movement to end hunger, continued:

In addition to being incorporated locally, international affiliates are managed by local Boards of Directors and local employees, utilize locally procured ingredients for the meal packaging program, and are supported primarily through local contributions and volunteer support.

Additional forms of aid:

The Organization also sends essential aid appropriate for hospitals and clinics in impoverished communities, school and orphanage feeding programs, and disaster relief to supplement the meal donations to partners in developing countries. Donated products include medicine, medical supplies, equipment, soap, and vitamins that can prevent the spread of disease and greatly improve the lives of those receiving them. The Organization receives these essential supplies through bulk donations of new goods from corporations, the United States Agency for International Development (USAID), charitable partners and private donors. In 2016, the Organization shipped more than \$17.6 million of in-kind aid, primarily in the form of vitamins and medical supplies.

Many disadvantaged people throughout the world struggle with food insecurity due to limited local government support, growing populations and poor agricultural production. The Organization is dedicated to creating long-term impact by implementing sustainable development programs in the poorest communities. The Organization's strategies focus on agriculture, health and nutrition and vocational education opportunities.

The Organization continues its legacy of commitment to both domestic and international crisis response and relief from famine, natural and manmade disasters, and health epidemics. In 2016, over 4.7 million meals were sent to support 127,753 victims of Hurricane Matthew in Haiti and the US, feeding programs in South Sudan, El Nino drought relief in Mozambique and Zimbabwe, floods in the Dominican Republic and India, and earthquakes in Indonesia and Ecuador.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Net assets:

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Cash and cash equivalents:

The Organization considers all interest bearing investments due on demand and all debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risks:

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Interest-bearing amounts on deposit in excess of federally insured limits as of December 31, 2016 and 2015 were \$5,954,113 and \$4,871,863, respectively.

The Organization's meal packaging program produces individual meals consisting of rice, soy, dried vegetables, flavoring, and 21 essential vitamins and minerals. These raw materials are subject to global commodity price fluctuations. The Organization's ability to maintain or expand its meal packaging program is dependent upon the Organization's ability to provide these raw materials at economically favorable prices.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables. The Organization's trade receivables consist primarily of amounts due from business entities as well as religious and civic organizations. As of December 31, 2016, 56% of trade receivables pertained to business entities and 26% related to religious and civic organizations. As of December 31, 2015, 53% of trade receivables pertained to business entities and 32% related to religious and civic organizations. There was no single entity that comprised greater than 10% of total receivables at December 31, 2016 or December 31, 2015.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Contributions:

In accordance with applicable accounting standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Revenue is recognized when earned and support when contributions are made, which may be when cash is collected, unconditional promises are made, or ownership of donated assets is transferred to the Organization. Gifts-in-kind (including inventory, property, and equipment) are recorded at fair value at the date of the gift.

Unearned revenue represents revenues received in advance of meal packaging events. These revenues are recognized once the meal packaging event has occurred.

Contributions other than gifts-in-kind are primarily cash contributions that are derived from ongoing fundraising. All contributions are considered to be available for unrestricted use unless specifically designated by the donor.

Donated inventory (consisting of medicines, medical supplies, and other supplies) is recorded as inventory and contribution revenue at its estimated fair value at the date received, taking into consideration inventory condition and utility for use. All donated inventory is received from private organizations and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used in the Organization's programs.

The Organization determines estimated fair value in accordance with fair value measurement accounting standards.

In general, the Organization values donated medicine and supplies at its estimated fair value based on third party published data including the Wholesale Acquisition Cost (WAC), which is representative of fair market value and recognized as industry standard.

Donated services:

Donated services are recognized as contributions in accordance with applicable accounting standards 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.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services. The financial statements do not recognize the value of these donated services as such services do not meet the recognition requirements under applicable accounting standards.

Donated assets:

Donated marketable securities and other non-cash donations, including property and equipment, are recorded as contributions at their estimated fair values at the date of donation.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Affiliate support and licensing fees:

Support and licensing fees charged by the Organization to its worldwide NGO affiliates are recorded as revenue when earned. For the years ended December 31, 2016 and 2015, these fees were not a significant component of support and revenues.

Accounts receivable and allowance for doubtful accounts:

Accounts receivable reflected on the Statement of Financial Position are expected to be received within one year. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary as of December 31, 2016 and 2015.

Promises to give and allowance for doubtful pledges:

Promises to give reflected on the Statement of Financial Position are expected to be received within one year. Promises to give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. The Organization considers all promises to give to be fully collectible; accordingly, no allowance for doubtful pledges is deemed necessary as of December 31, 2016 and 2015.

Inventory:

Inventories primarily consist of raw materials used in conjunction with the Organization's meal packaging program and donated in-kind supplies. Meal packaging inventories are valued at the lower of cost (first-in, first-out) or market.

In-kind donations are recorded and carried in inventory at their estimated fair market value at date of donation.

As of December 31, 2016 and 2015, management has determined that no allowance for obsolete inventory is required.

Property and equipment:

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at date of donation.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Depreciation of property and equipment is provided for on the straight-line method over the following useful lives:

Office furniture and equipment	3-5 years
Warehouse equipment	5-10 years
Leasehold improvements	2-5 years

Functional allocation of expenses:

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Certain costs, including salaries, rent, and depreciation, have been allocated based upon estimates made by the Organization's management.

Restricted and unrestricted support and revenue:

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Shipping costs:

The Organization incurs shipping and handling costs when transporting the packaged meals overseas. The Organization's shipping and handling costs are included in program services expense.

Accounting estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income tax status:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Income tax status, continued:

Applicable accounting standards prescribe a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under these standards, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Organization did not have any unrecognized tax benefits and there was no effect on its financial condition or results of operations as a result of adopting these standards.

The tax years from 2013 through 2016, are subject to examination by the Internal Revenue Service. The Organization is currently not under any federal or state audits. There were no interest or penalties for the years ended and the Organization's policy is to expense interest and penalties, if any, to income tax expense as incurred. The Organization does not expect any material changes in unrecognized tax benefits in the next twelve months. The Organization has no unrecognized tax benefits as of December 31, 2016 and 2015.

Reclassifications:

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Prior year summarized information:

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Recently issued accounting standards

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Organization for reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Organization plans to apply the guidance using a modified retrospective approach. The Organization does not expect these amendments to have a material effect on its financial statements.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Recently issued accounting standards, continued

In April 2015, the FASB issued guidance which provides a practical expedient that permits the Organization to measure defined benefit plan assets and obligations using the month-end that is closest to the Organization's fiscal year-end. The amendments will be effective for fiscal years beginning after December 15, 2016, and interim periods beginning after December 15, 2017, with early adoption permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

In July 2015, the FASB issued amendments to the Inventory topic of the Accounting Standards Codification to require inventory to be measured at the lower of cost and net realizable value. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory, there are no other substantive changes to the guidance on measurement of inventory. The amendments will be effective for fiscal years beginning after December 15, 2016, and interim periods beginning after December 15, 2017, with early adoption permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In March 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification to clarify the implementation guidance on principal versus agent considerations and address how an entity should assess whether it is the principal or the agent in contracts that include three or more parties. The amendments will be effective for the Organization for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Organization does not expect these amendments to have a material effect on its financial statements.

In May 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification to clarify guidance related to collectability, noncash consideration, presentation of sales tax, and transition. The amendments will be effective for the Organization for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Organization does not expect these amendments to have a material effect on its financial statements.

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1. Nature of Activities and Significant Policies, Continued

Recently issued accounting standards, continued

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The Organization does not expect these amendments to have a material effect on its financial statements.

Date of management's review:

Subsequent events have been evaluated through April 24, 2017, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Office furniture and equipment	\$ 203,716	\$ 100,839
Warehouse equipment	528,375	502,832
Leasehold improvements	85,235	106,945
Total fixed assets	817,326	710,616
Less accumulated depreciation	472,349	438,531
	\$ <u>344,977</u>	\$ <u>272,085</u>

Depreciation charged to operations was \$116,490 and \$110,802 in 2016 and 2015, respectively.

Note 3. Operating Lease

The Organization leases its office facility and warehouse space in which it operates its meal packaging operations. Future minimum lease payments under the leases are as follows:

Year ending December 31,	Amount
2017	\$ 684,337
2018	667,473
2019	516,705
2020	317,243
2021	275,915
Thereafter	417,831
	\$ <u>2,879,504</u>

Rent expense totaled \$1,216,037 and \$1,010,597 for 2016 and 2015, respectively.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 4. Capital Lease Obligations

Certain warehouse equipment to support the meal packaging programs was obtained under capital leases. The leased equipment held under capital leases had a cost of \$164,294 and \$152,743 as of December 31, 2016 and 2015. Accumulated depreciation related to these assets was \$65,373 and \$30,857 as of December 31, 2016 and 2015, respectively. Total depreciation charged to operations in regards to these leases was \$34,516 and \$27,793 in 2016 and 2015, respectively. Interest expense for the years ended December 31, 2016 and 2015 was \$4,076 and \$5,700, respectively.

Future minimum lease payments under capital leases as of December 31, 2016 are expected to be as follows:

Year ending December 31,	Amount
2017	\$ 53,220
2018	42,230
2019	7,443
Total minimum lease payments	102,893
Less: amount representing interest	5,413
Present value of minimum lease payment	97,480
Less: current portion	50,168
Non-current portion	\$ 47,312

Note 5. Note Payable

The Organization has a note payable with monthly principal and interest payments of \$481, which includes interest at an annual rate of 5.75%. This note matures in June 2019 and is collateralized by a vehicle. Future maturities of notes payable are expected to be as follows:

Year ending December 31,	Amount
2017	\$ 5,151
2018	5,455
2019	2,564
Total	13,170
Less: current portion	5,151
Non-current portion	\$ 8,019

Note 6. Line of Credit

In April 2016, the Organization renewed an agreement with a financial institution for a line of credit up to \$300,000 bearing interest equal to the bank's prime rate (3.75% as of December 31, 2016) plus 0.40% and is secured by equipment, inventory, accounts receivable, and other rights to payment. The Organization had no outstanding balance as of December 31, 2016 and 2015.

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 7. Other Credit

Revolving Credit Cards

The Organization has revolving credit card relationships with two national financial institutions. Total aggregate credit available under these relationships was \$520,000 as of December 31, 2016. \$120,153 and \$141,657 was outstanding under these relationships as of December 31, 2016 and 2015, respectively, which is included in accounts payable in the accompanying financial statements.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Nepal Earthquake	\$ 32,351	\$ 32,786
African Famine 2011/Southern Sudan/Old Fangak	67,761	67,391
Emergency Relief Funding	41,628	-
WASH fund	120,404	-
Vita Mamba	27,783	70,000
	<u>\$ 289,927</u>	<u>\$ 170,177</u>

The following is a summary of net assets which were released from donor restrictions by incurring expenses which satisfied the donor specified restrictions for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Nepal Earthquake	\$ 735	\$ 30,000
African Famine 2011/Southern Sudan/Old Fangak	-	80,295
Vita Mamba	42,217	-
Philippines Typhoon 2013	-	64,564
	<u>\$ 42,952</u>	<u>\$ 174,859</u>

Stop Hunger Now, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 9. Gifts-in-Kind

The Organization receives donations of food, medicine, and supplies for use in relief and development programs. The Organization ships all such gifts-in-kind either directly to in-country partners or to similar non-profit organizations for ultimate distribution. As soon as feasible following transfer of title to the Organization, these in-kind contributions are shipped to third parties in support of international relief efforts.

In accordance with U.S. generally accepted accounting principles, the Organization only records the value of gifts-in-kind for which it receives and exercises variance power, which is the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

During 2016 and 2015, the Organization received and distributed in-kind contributions of medicine and supplies as set forth below:

	2016	2015
Donated inventory, beginning	\$ 319,931	\$ 90,420
Gift-in-kind inventory donations	17,391,953	14,805,569
Gift-in-kind inventory distributed	(17,626,629)	(14,576,058)
Donated inventory, ending	\$ 85,255	\$ 319,931

Note 10. Retirement Plan

The Organization maintains a simplified employee pension plan for the benefit of all its employees who are over age 21 and have completed one year of service. The amount of the contribution to the plan is determined annually by the Board of Directors. The amount of employer contributions included in these financial statements for the years ended December 31, 2016 and 2015 was \$231,207 and \$148,549, respectively.

Note 11. Marketing, Public Relations and Advertising

The Organization used brochures, posters and press releases to promote its programs among the audience it serves. The costs of these promotional materials are expensed the first time the promotion takes place. During the years ended December 31, 2016 and 2015, marketing, public relations and advertising expense was \$54,237 and \$72,713, respectively.

Note 12. Subsequent Events

On January 26, 2017, the Organization changed its name from Stop Hunger Now, Inc. to Rise Against Hunger, Inc.

As of January 2017, the Organization relocated its headquarters to 3733 National Drive Suite #200, Raleigh, NC 27612.