

*Financial statements of:*

**FEED MY STARVING CHILDREN, INC.**

Years ended  
February 29, 2024 and February 28, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Feed My Starving Children, Inc.  
Coon Rapids, MN

### ***Opinion***

We have audited the financial statements of Feed My Starving Children, Inc. (the Organization), which comprise the statements of financial position as of February 29, 2024 and February 28, 2023, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Feed My Starving Children, Inc. as of February 29, 2024 and February 28, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Schechter Dattken Kander  
Andrews & Selcer Ltd.*

May 9, 2024

Minneapolis, MN

**FEED MY STARVING CHILDREN, INC.**STATEMENTS OF FINANCIAL POSITION  
FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

	<u>2024</u>	<u>2023</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 11,152,618	\$ 6,433,182
Investments (Note 3)	3,200,869	13,587,054
MobilePack and other receivables, net (Note 4)	614,713	549,863
Inventory (Note 5)	6,723,494	8,164,124
Prepaid expenses	297,436	282,789
Employee retention credit refund	-	1,157,577
	<u>21,989,130</u>	<u>30,174,589</u>
Total current assets	21,989,130	30,174,589
Property and equipment, net (Note 6)	3,707,722	3,700,515
Right-of-use assets (Note 7)	3,299,644	4,493,310
Other assets, security deposits	81,794	81,594
	<u>\$ 29,078,290</u>	<u>\$ 38,450,008</u>
<b>Liabilities and net assets:</b>		
Current liabilities:		
Accounts payable	\$ 4,199,924	\$ 3,453,740
Accrued salaries and vacation	1,155,227	1,432,025
Lease liability, current portion (Note 7)	1,185,134	1,392,354
	<u>6,540,285</u>	<u>6,278,119</u>
Total current liabilities	6,540,285	6,278,119
Long-term liabilities, lease liability net of current portion (Note 7)	2,803,530	3,988,664
	<u>9,343,815</u>	<u>10,266,783</u>
Total liabilities	9,343,815	10,266,783
Net assets:		
Without donor restrictions	15,160,371	23,605,724
With donor restrictions (Note 9)	4,574,104	4,577,501
	<u>19,734,475</u>	<u>28,183,225</u>
Total net assets	19,734,475	28,183,225
	<u>\$ 29,078,290</u>	<u>\$ 38,450,008</u>

**FEED MY STARVING CHILDREN, INC.**

 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and other support:						
Contributions of cash and other financial assets	\$ 44,340,771	\$ 1,189,004	\$ 45,529,775	\$ 43,133,908	\$ 2,910,808	\$ 46,044,716
MobilePack contributions	45,000	16,725,959	16,770,959	64,600	13,618,316	13,682,916
Contributions of nonfinancial assets (Note 10)	29,087,333	20,116	29,107,449	18,933,438	4,900	18,938,338
MarketPlace sales	2,825,923	-	2,825,923	2,518,914	-	2,518,914
Other revenue	564,388	-	564,388	346,260	-	346,260
Special events, net of cost of direct benefits to donors of \$137,564 in 2024 and \$2,700 in 2023	-	1,985,552	1,985,552	-	2,028,452	2,028,452
Net assets released from restrictions (Note 9)	19,924,028	(19,924,028)	-	17,554,870	(17,554,870)	-
Total revenue and other support	96,787,443	(3,397)	96,784,046	82,551,990	1,007,606	83,559,596
Expenses:						
Program services	95,557,900	-	95,557,900	81,460,814	-	81,460,814
Management and general	4,799,975	-	4,799,975	4,115,319	-	4,115,319
Fundraising	4,874,921	-	4,874,921	4,281,780	-	4,281,780
Total expenses	105,232,796	-	105,232,796	89,857,913	-	89,857,913
Changes in net assets	(8,445,353)	(3,397)	(8,448,750)	(7,305,923)	1,007,606	(6,298,317)
Net assets, beginning	23,605,724	4,577,501	28,183,225	30,911,647	3,569,895	34,481,542
Net assets, ending	\$ 15,160,371	\$ 4,574,104	\$ 19,734,475	\$ 23,605,724	\$ 4,577,501	\$ 28,183,225

See notes to financial statements.

**FEED MY STARVING CHILDREN, INC.**

 STATEMENTS OF CASH FLOWS  
 YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Changes in net assets	\$ (8,448,750)	\$ (6,298,317)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	709,859	707,013
Gain on disposal of property and equipment	(3,409)	(1,000)
Change in donated labor in inventory	(230,231)	710,399
Increase in allowance for doubtful accounts	165,654	6,112
Donated marketable securities	(1,222,686)	(977,019)
Loss on sales of donated marketable securities	17,032	2,764
Proceeds from sale of donated marketable securities	1,205,654	974,255
(Increase) decrease in assets:		
Accounts and MobilePack receivables	(230,504)	(224,364)
Inventory	1,670,861	(2,954,018)
Prepaid expenses	(14,647)	(51,575)
Employee retention credit refund	1,157,577	1,069,742
Other assets, security deposits	(200)	(600)
Increase (decrease) in liabilities:		
Accounts payable	739,238	478,993
Accrued salaries and vacation	(276,798)	(28,663)
Change in operating leases, right-of-use assets and lease liabilities	(198,688)	(100,075)
Net cash used in operating activities	<u>(4,960,038)</u>	<u>(6,686,353)</u>
Cash flows from investing activities:		
Purchase of:		
Investments	(10,545,454)	(36,086,351)
Property and equipment	(710,711)	(641,217)
Proceeds from:		
Sale of property and equipment	4,000	1,000
Sale of investments	20,931,639	22,499,297
Net cash provided by (used in) investing activities	<u>9,679,474</u>	<u>(14,227,271)</u>
Net change in cash and cash equivalents	4,719,436	(20,913,624)
Cash and cash equivalents, beginning of year	6,433,182	27,346,806
Cash and cash equivalents, end of year	<u>\$ 11,152,618</u>	<u>\$ 6,433,182</u>
Non-cash investing and financing activity:		
Projects in process in accounts payable	<u>\$ 6,946</u>	<u>\$ 7,165</u>

	2024					2023				
	Support Services			Total support services	Total expenses	Support Services			Total support services	Total expenses
	Program services	Management and general	Fundraising			Program services	Management and general	Fundraising		
Salaries	\$ 9,653,812	\$ 3,242,792	\$ 2,196,327	\$ 5,439,119	\$ 15,092,931	\$ 8,497,200	\$ 2,883,870	\$ 1,967,806	\$ 4,851,676	13,348,876
Payroll taxes	729,563	237,056	156,987	394,043	1,123,606	649,301	191,135	161,651	352,786	1,002,087
Employee benefits	1,223,065	304,817	340,200	645,017	1,868,082	1,007,864	286,096	290,664	576,760	1,584,624
Cost of food:										
Raw materials	41,816,202	-	-	-	41,816,202	39,367,196	-	-	-	39,367,196
Meal packaging - food manufacturers	2,781,407	-	-	-	2,781,407	5,054,869	-	-	-	5,054,869
Donated production labor	29,227,314	-	-	-	29,227,314	18,341,151	-	-	-	18,341,151
Cost of sales, Market Place	1,583,742	-	-	-	1,583,742	1,407,525	-	-	-	1,407,525
Advertising and marketing	116,873	7,327	47,424	54,751	171,624	56,210	-	36,473	36,473	92,683
Computer and software	210,750	91,443	237,210	328,653	539,403	170,112	96,011	211,644	307,655	477,767
Charitable donations	840,608	-	-	-	840,608	428,127	-	-	-	428,127
Occupancy	2,306,014	16,114	10,923	27,037	2,333,051	1,891,729	14,251	9,683	23,934	1,915,663
Professional fees	559,048	382,885	154,061	536,946	1,095,994	432,561	350,723	170,126	520,849	953,410
Partner Programs	387,772	-	-	-	387,772	442,822	-	-	-	442,822
Employee recruiting	16,635	5,504	3,731	9,235	25,870	56,028	18,816	12,785	31,601	87,629
Printing and copying	63,273	16,216	258,961	275,177	338,450	79,110	14,939	186,681	201,620	280,730
Insurance	163,744	53,854	36,501	90,355	254,099	169,426	56,564	38,431	94,995	264,421
Utilities	338,319	5,780	3,918	9,698	348,017	310,288	5,965	4,053	10,018	320,306
Travel and meals	1,705,418	41,918	204,946	246,864	1,952,282	1,413,290	33,396	79,852	113,248	1,526,538
Equipment rental and maintenance	517,394	8,090	9,687	17,777	535,171	403,387	7,089	8,816	15,905	419,292
Telephone	111,419	3,867	2,638	6,505	117,924	111,147	3,758	2,499	6,257	117,404
Postage and shipping	46,149	1,065	178,103	179,168	225,317	42,391	1,358	109,620	110,978	153,369
Training and staff development	28,003	2,544	9,912	12,456	40,459	27,894	448	371	819	28,713
Supplies	220,638	3,302	2,976	6,278	226,916	214,309	3,733	4,173	7,906	222,215
Donor appreciation	-	-	274,892	274,892	274,893	-	-	285,430	285,430	285,430
Bank and credit card processing	158,499	30,719	646,943	677,662	836,161	146,748	22,444	624,030	646,474	793,222
Special events	-	-	214,348	214,348	214,347	-	-	54,441	54,441	54,441
Bad debt expense	-	265,000	-	265,000	265,000	-	57,998	-	57,998	57,998
Depreciation	670,516	41,692	17,996	59,688	730,204	644,905	37,123	17,762	54,885	699,790
Miscellaneous	81,723	37,990	3,801	41,791	123,514	95,224	29,602	7,489	37,091	132,315
<b>Total functional expenses</b>	<b>\$ 95,557,900</b>	<b>\$ 4,799,975</b>	<b>\$ 5,012,485</b>	<b>\$ 9,812,460</b>	<b>\$ 105,370,360</b>	<b>\$ 81,460,814</b>	<b>\$ 4,115,319</b>	<b>\$ 4,284,480</b>	<b>\$ 8,399,799</b>	<b>\$ 89,860,613</b>
Less cost of direct benefits to donors	-	-	(137,564)	(137,564)	(137,564)	-	-	(2,700)	(2,700)	(2,700)
<b>Total expenses - statement of activities</b>	<b>\$ 95,557,900</b>	<b>\$ 4,799,975</b>	<b>\$ 4,874,921</b>	<b>\$ 9,674,896</b>	<b>\$ 105,232,796</b>	<b>\$ 81,460,814</b>	<b>\$ 4,115,319</b>	<b>\$ 4,281,780</b>	<b>\$ 8,397,099</b>	<b>\$ 89,857,913</b>
Percentages of total	<u>91%</u>	<u>4%</u>	<u>5%</u>	<u>9%</u>	<u>100%</u>	<u>91%</u>	<u>4%</u>	<u>5%</u>	<u>9%</u>	<u>100%</u>



1. Nature of business and summary of significant accounting policies:

## Nature of business:

Feed My Starving Children, Inc. (the Organization) was incorporated as a Minnesota nonprofit corporation in 1987. Its mission is to feed God's starving children hungry in body and spirit. With God's help, the Organization will reduce the number of starving children throughout the world by helping to instill compassion in people that hear and respond to the cries of those in need.

The Organization packages a unique food supply for distribution around the world at permanent sites in certain communities of Minnesota, Illinois, Arizona and Texas. The Organization also leases warehouse space in Pennsylvania. The Organization also has mobile packing events in numerous other states. During 2024 and 2023, approximately 1,163,000 and 911,000 volunteers packed meals and the Organization provided 448 million and 447.5 million meals, respectively.

The Organization also supports economies where it distributes meals by purchasing handmade crafts and reselling them in its MarketPlace, available at all packing sites, online and at most MobilePack events.

## Basis of presentation:

Net assets, revenues, expenses and gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations, not subject to donor (or certain grantor) restrictions, and resources over which the Board of Directors has full discretionary control.

*Net assets with donor restrictions* – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets are limited by donor-restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

1. Nature of business and summary of significant accounting policies (continued):

## Concentration of credit risk:

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash deposits. The Organization maintains an operating account at a financial institution where at times the cash balance exceeds the federally insured limit of \$250,000. The Organization has not experienced any loss associated with the practice.

## Vendor concentrations:

The Organization has mitigated its supplier risk by qualifying a minimum of two vendors for each major food ingredient. However, the vitamins are single-sourced by a vendor with one production facility. The Organization is prepared to transfer production to a qualified backup supplier in the event the existing supply is disrupted.

## Donated marketable securities:

The Organization's policy is to convert donated marketable securities into cash within days of receipt.

## Income taxes:

The Organization is classified as a tax-exempt public charity under Section 501(c)(3) of the Internal Revenue Code and comparable sections of certain state tax statutes and, as such, is subject to income tax only on net unrelated business income. The Organization had no unrelated business income in fiscal year 2024 and 2023.

Management evaluated the Organization's tax positions and concluded there were no uncertain tax positions (including unrelated business income) that require adjustment to the financial statements.

## Sales taxes:

When applicable, the Organization collects sales taxes from its customers and remits the entire amount to the various governmental units. The Organization's accounting policy is to exclude the tax collected from revenue and the remittances from cost of revenue.

## Cash and cash equivalents:

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

## Investments:

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statements of financial position. Net investment income or loss, including realized gains and losses on investments, interest and dividends, is included in other revenue included in the change in net assets in the statements of activities.

1. Nature of business and summary of significant accounting policies (continued):

## MobilePack receivables:

MobilePack receivables are the result of signed agreements that the Organization has with MobilePack hosts who agree to fund a MobilePack event. MobilePack hosts are invoiced 90 and 45 days prior to the event and 50 days after the event for the contracted meals to be packed. These receivables represent unconditional promises to give from donors restricted for specific MobilePack events and for which payment is expected to be collected within one year and therefore recorded at the net realizable value. The Organization determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. Collections of receivables previously written off are recorded as bad debt recoveries.

## Contributions receivable:

Contributions receivable represent unconditional promises to give from donors for which payment is reasonably assured. Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded initially at fair market value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. The Organization's contributions receivable are included in MobilePack receivables and other. No allowance for doubtful accounts related to contributions receivable was recorded as of February 29, 2024 or February 28, 2023.

## Inventory:

Inventory consists of program-related food to be gifted and is stated at cost determined by the first-in first-out method. Since inventory is not sold, but rather is gifted, cost is used to value food. Additionally, packaged food inventory includes donated labor, which is estimated based on industry data of the average cost to hire personnel to pack the food.

## Property and equipment and depreciation methods:

The Organization capitalizes property and equipment in excess of \$1,000 at original cost or estimated fair market value, if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives as follows:

<u>Asset type</u>	<u>Years</u>
Computers/software	3
Equipment	5-7
Furniture	7
Building	25
Leasehold improvements	Lesser of estimated life or lease term

1. Nature of business and summary of significant accounting policies (continued):

## Contributions of cash and other financial assets:

Contributions of cash and other financial assets, which include unconditional promises to give, are recognized as support in the period in which payment is received or promised. All contributions are available for general use unless specifically restricted by the donor.

Contributions with donor-imposed restrictions, such as time or purpose, are recorded as net assets with donor restrictions. When a donor-imposed restriction is fulfilled, the net assets with donor restrictions are reclassified to net assets without donor restrictions. This reclassification is reported as net assets released from restrictions within the statement of activities.

## Bequests:

Direct gifts of assets are recorded at their estimated fair value as contributions revenue when the Organization has received an unconditional promise to give. The Organization considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

## MobilePack:

The Organization provides a remote volunteer opportunity called MobilePack, where staff provide a volunteer experience similar to that at the Organization's permanent locations. When a host team contacts the Organization to set up a MobilePack, the Organization sends the host a contract. The contract is for an agreed upon date and amount and allows the host to raise funds on the Organization's behalf with the intent to feed children through the Organization's feeding programs. Typically, all funds received for an event are recorded as revenue with donor restrictions until the MobilePack has occurred, at which point the revenue received up to the value of the contracted event is released from restriction. All additional funds received over the contracted amount can be applied to a future event, in which case the funds will remain restricted. If the host chooses not to host a future event, the additional funds are released from restriction and may be utilized at the discretion of the Organization in any of its feeding programs.

## Contributions of nonfinancial assets:

The Organization recognizes contributed nonfinancial assets within revenue and other support, which mainly includes donated labor for meal packing, occupancy costs and professional services. The Organization's policy is to use these contributions to carry out their mission and generally not to monetize them; however, certain contributions given for fundraising purposes, such as, donated auction items are monetized. The use of these nonfinancial assets including if there are donor-imposed restrictions and the related valuation technique and inputs are shown in Note 10.

## MarketPlace:

The Organization operates a MarketPlace at its permanent volunteer locations, MobilePack events, and online. Revenues are recognized when products are transferred to customers in an amount equal to the market price of the item. Sales taxes are imposed on all of the Organization's sales to nonexempt customers. The Organization collects the taxes from customers and remits the entire amounts to the local governmental authorities.

1. Nature of business and summary of significant accounting policies (continued):

## Employee retention credit refund:

The Coronavirus Aid, Relief and Economic Security Act (Cares Act) was signed into law on March 27, 2020. One aspect of the Cares Act allowed eligible employers to claim the Employee Retention Tax Credit (ERTC) if certain requirements were met. On December 27, 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act) was signed into law. The Relief Act extended the ERTC through the first two quarters of 2021 and modified some of the requirements for qualifying and calculating the credit. The Organization determined that it met the requirements of the ERTC for the fiscal year ended February 28, 2022. As of 2023, \$1,157,577 remained outstanding, respectively, and the 2023 balance was collected during the fiscal year ended February 29, 2024.

## Special Events:

For special events, cash received as a contribution before, during, or after the event is recorded as donor restricted revenue following the same guidelines as contributions throughout the year. Amounts received in exchange for event tickets or other consideration are recorded in two portions. The first portion is equal to the market value of the consideration and is recorded as deferred revenue until the special event occurs. The second portion is equal to the total gift less the amount allocated to the consideration and is recorded as a donor restricted contributions from the special event. The restricted contributions are reclassified to net assets without donor restrictions after the event has taken place and the restriction is met.

## Freight costs:

All inbound shipping and handling costs are paid by the Organization and included in cost of food and cost of sales. The Organization also pays outbound shipping and handling costs of MobilePack events, which is also included in the cost of food and cost of sales.

## Advertising:

Advertising costs of \$171,624 and \$92,683 were expensed as incurred during 2024 and 2023, respectively.

## Functional allocation of expenses:

The costs associated with program and supporting services have been presented on a functional basis in the statements of activities. Program services are defined as activities to fulfill the Organization's mission, which is meal production. The statements of functional expenses present the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, benefits, advertising, computer and software, professional fees, recruitment, printing, insurance, travel, equipment rental, postage, training, supplies, bank and credit card fees are allocated on the basis of estimates of time and effort. Occupancy, utilities and repairs are allocated based on square footage.

1. Nature of business and summary of significant accounting policies (continued):

## 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 and disclosures. Accordingly, actual results could differ from those estimates. Donated labor is considered a significant estimate.

## Reclassifications:

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation.

## Subsequent events:

The Organization evaluated for subsequent events through May 9, 2024, the date the financial statements were available for issuance.

2. Liquidity and availability:

The Organization's financial assets available for general expenditure, within one year of the statement of financial position date, are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	<b>11,152,618</b>	\$ 6,433,182
Investments	<b>3,200,869</b>	13,587,054
MobilePack and other receivables, net	<b>614,713</b>	549,863
Employee retention credit refund	<u>-</u>	<u>1,157,577</u>
	<b>14,968,200</b>	21,727,676
Less donor-imposed restrictions	<b><u>(4,574,104)</u></b>	<u>(4,577,501)</u>
Financial assets available for general expenditure within one year	<b><u>\$ 10,394,096</u></b>	<b><u>\$ 17,150,175</u></b>

Donor-imposed restrictions pertain primarily to permanent site development, purchases of equipment and supplies, country specific meal donations and future MobilePack and special events (See Note 9). Expenditures for country specific meal donations are expected over the next one to two years. MobilePack and special events are expected over the next year.

## 2. Liquidity and availability (continued):

To balance the need for feeding more children with the ability to meet the Organization's short-term expenditures and the cyclical nature of donations, the Organization has established a range of cash and investments held between 37.5 to 75 days of average daily expenses held in reserve at fiscal year-end. This is calculated using the next fiscal year's budgeted operating expenses less contributions of non-financial assets expenditures.

The availability of cash and investments is monitored monthly and compared to the approved budgeted cash flow. If forecasted cash flow deviates from budgeted cash flow by more than 10%, the Executive Committee of the Board must be notified. If more than 20% below the budgeted cash flow, management is required, within thirty days, to prepare a detailed cash flow plan with options for curtailed spending or additional sources of revenue. If more than 20% above the maximum, management will present a plan for producing additional meals or investments in other activities to fulfill its mission.

## 3. Investments and fair value measurements:

The Organization's investments are measured at estimated fair value using inputs from the three levels of the fair value hierarchy as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3:* Unobservable inputs that reflect management's estimates about the assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including internally-developed data.

The Organization invested in a mutual fund, which is invested in short-term U.S. Treasury securities as of February 28, 2024 and in U.S. Treasury bills and notes with maturity dates greater than three months but less than 12 months traded through the Organization's financial institution as of February 28, 2023. The mutual fund and U.S. Treasury bills and notes have quoted prices in active markets for identical assets and are classified within Level 1.

3. Investments and fair value measurements (continued):

Investments and fair value measurements at February 29, 2024 and February 28, 2023 are as follows:

	<u>2024</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income, mutual fund	<u>\$ 3,200,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,200,869</u>
	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income, U.S. Treasury bills/notes	<u>\$ 13,587,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,587,054</u>

4. MobilePack and other receivables:

MobilePack and other receivables at February 29, 2024 and February 28, 2023 are as follows:

	<u>February 29, 2024</u>	<u>February 28, 2023</u>
MobilePack	<u>\$ 750,213</u>	<u>\$ 467,299</u>
Other	<u>49,326</u>	<u>101,736</u>
Total	<u>799,539</u>	<u>569,035</u>
Less allowance for doubtful accounts	<u>(184,826)</u>	<u>(19,172)</u>
MobilePack and other receivables, net	<u>\$ 614,713</u>	<u>\$ 549,863</u>



5. Inventory:

Packaged food inventory includes the estimated fair value of donated volunteer time, contract labor costs as applicable, and raw materials incurred to produce the meals. Volunteer packaged food inventory included \$1,244,805 and \$1,475,036 of donated labor as of February 29, 2024 and February 28, 2023, respectively.

Inventory consisted of the following at February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Raw materials	\$ 2,272,590	\$ 2,577,063
Work in process	474,099	34,408
Packaged food	2,535,977	3,793,612
Overhead allocated to packaged food	608,222	1,111,628
MarketPlace	<u>832,606</u>	<u>647,413</u>
	<u>\$ 6,723,494</u>	<u>\$ 8,164,124</u>

6. Property and equipment, net:

Property and equipment consisted of the following at February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Property and equipment:		
Land	\$ 214,200	\$ 214,200
Furniture and equipment	1,587,781	1,523,983
Computers and software	2,903,963	2,973,907
Building	1,388,286	1,388,286
Leasehold improvements	4,764,822	4,530,078
Projects in process	<u>139,060</u>	<u>62,664</u>
	10,998,112	10,693,118
Less accumulated depreciation	<u>(7,290,390)</u>	<u>(6,992,603)</u>
Net property and equipment	<u>\$ 3,707,722</u>	<u>\$ 3,700,515</u>

7. Operating leases:

The Organization leases property for its offices and warehouses. These qualify as operating leases and are included in operating lease right-of-use (“ROU”) assets, current portion of operating lease liabilities and long-term portion of operating lease liabilities in its statement of financial position. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. Because most of the Organization’s operating leases do not provide an implicit rate of return, the Organization has elected the option to use the risk-free rate using a period comparable to the lease terms. The Organization uses the three, five, seven, and ten-year U.S. Treasury Note rates respective to the life of the lease based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU assets are reduced by lease incentives received. The Organization has adopted other accounting policy elections related to this standard including election to treat non-lease components and lease components as a single combined lease and election of not recognizing right-of-use assets and lease liabilities arising from short-term leases for any class of underlying assets.

The Organization leases warehouse and office space under non-cancellable operating leases. The Organization is also responsible for its share of common area operating expenses, including property taxes, for the real estate. Total occupancy expense was \$2,333,051 and \$1,915,663 for the years ended February 29, 2024 and February 28 2023, respectively.

The Organization has the following warehouse and office space leases:

<u>Lease Inception</u>	<u>Expiration date</u>
2015	February 28, 2025
2018	March 31, 2028
2019	October 31, 2024
2019	February 28, 2031*
2020	June 30, 2027
2021	February 29, 2024
2021	April 30, 2024
2023	February 28, 2026*

\* Each lease has one, five-year extension period.

The extension periods are not included in the ROU assets and lease liabilities as at the lease commencement dates the Organization was not reasonably certain that they will exercise those options.

7. Operating leases (continued):

The future maturities of operating lease liabilities as of February 29, 2024, are as follows:

<u>Year ending February</u>	<u>Amount</u>
2025	\$ 1,266,431
2026	752,441
2027	647,641
2028	560,780
2029	346,442
Thereafter	<u>671,880</u>
	4,245,615
Less amount representing interest	<u>256,951</u>
 Total operating lease liabilities	 <u>\$ 3,988,664</u>

The weighted-average remaining lease term is 5 years or (60 months) and 5.33 years or (64 months) for operating leases as of February 29, 2024 and February 28, 2023, respectively. The weighted-average discount rate is 2.45% and 2.36% for operating leases as of February 29, 2024 and February 28, 2023, respectively.

8. Future lease commitments

The Organization signed two leases during the year ended February 29, 2024, which commenced on March 1, 2024 for five years and May 1, 2024 for three years, respectively with future cash lease payments totaling \$390,712 and \$656,902, respectively.

<u>Year ending February</u>	<u>Amount</u>
2025	\$ 248,225
2026	292,863
2027	304,200
2028	118,717
2029	<u>83,609</u>
 Total future lease commitments	 <u>\$ 1,047,614</u>

9. Net assets:

Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Permanent site development	\$ -	\$ 24,482
Country specific donations and shipping	86,149	136,720
Purchase of equipment and supplies	193,511	7,312
Future events – MobilePack and Special	<u>4,294,444</u>	<u>4,408,987</u>
	<u>\$ 4,574,104</u>	<u>\$ 4,577,501</u>

The following net assets with donor restrictions were released from restrictions during 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Permanent Site Development	\$ 25,505	\$ 102,716
Country specific donations and shipping	884,877	2,647,274
Purchases of equipment and supplies	51,315	23,084
Events – MobilePack and Special	<u>18,962,331</u>	<u>14,781,796</u>
	<u>\$ 19,924,028</u>	<u>\$ 17,554,870</u>

10. Contributions of nonfinancial assets:

During the years ended February 29, 2024 and February 28, 2023, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2024</u>	<u>2023</u>
Donated labor (\$13.85 per volunteer hour for 2024 and \$11.51 for 2023)	\$ 28,803,500	\$ 18,845,634
Professional services	82,185	72,730
Commodities/ingredients	-	3,346
Equipment/supplies	52,195	11,728
Donated auction items	20,116	4,900
Occupancy costs	<u>149,453</u>	<u>-</u>
	<u>\$ 29,107,449</u>	<u>\$ 18,938,338</u>

10. Contributions of nonfinancial assets (continued):

	<u>Revenue recognized</u>		<u>Utilization in programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation technique and inputs</u>
	<u>Fiscal year 2024</u>	<u>Fiscal year 2023</u>			
Volunteer labor	\$28,803,500	\$ 18,845,634	Meal packing	No donor restrictions	National market survey to determine average cost to hire similar positions to package food.
Professional services, legal	34,765	49,267	Administrative and fundraising	No donor restrictions	Contributed services from attorneys are recorded at the estimated fair value based on current rates for similar legal services.
Professional services, other	47,420	21,123	Meal packing locations	No donor restrictions	Contributed services from contractors performing work at packing sites, recorded at the estimated fair value for similar services.
Professional services, other	-	2,340	Fundraising	No donor restrictions	Contributed services from contractors performing work at a fundraising event recorded at the estimated fair value for similar services.
Commodities/ingredients	-	3,346	Meal packing	No donor restrictions	Donated ingredients from vendors who supply raw materials for food packaging, based on current pricing for the ingredients.
Equipment/supplies	52,195	11,728	Meal packing	No donor restrictions	Equipment and supplies donated by vendors in support of food packaging process recorded at current pricing for similar supplies and equipment.
Occupancy costs	18,203	-	Meal packing locations	No donor restrictions	Food packaging site operating costs per the agreement, were in part, not charged to the organization as a result of landlord's decision to pay these costs themselves.
Occupancy costs	131,250	-	MobilePack events	No donor Restrictions	Donated use of warehouse for four months at market rental rates.
Donated auction items	20,116	4,900	Fundraising	Donor restricted, time restriction	Auction items donated for a future fundraising event, valued at estimated fair market value for similar goods and services.

11. Employee benefit plan:

The Organization has a 401(k) retirement plan. The 401(k) plan is a safe harbor plan and the Organization is committed to making matching contributions equal to 100% of eligible salary deferrals up to 3% of compensation plus 50% of eligible salary deferrals between 3% and 5% of compensation. The Organization made employer-matching contributions to the Plan of \$469,495 and \$421,902 during 2024 and 2023, respectively.

12. Purchase commitments:

As of February 29, 2024, the Organization's future obligations for the purchase of raw materials under contracts totaled approximately \$10 million.