

LOVE THE HUNGRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

LOVE THE HUNGRY, INC.

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Love the Hungry, Inc.
Louisville, Kentucky

Management is responsible for the financial statements of Love the Hungry, Inc., (a non-profit organization), which comprise of the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement, in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

October 31, 2023

LOVE THE HUNGRY, INC.
STATEMENTS OF FINANCIAL POSITION
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

	DECEMBER 31	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 183,972	\$ 14,219
Short-term investment	-	10,367
Packaged product inventory	<u>104,171</u>	<u>39,493</u>
Total current assets	288,143	64,079
PROPERTY & EQUIPMENT		
Equipment and fixtures	4,354	4,354
Operating lease right-of-use asset	<u>81,661</u>	<u>-</u>
	86,015	4,354
Less - accumulated depreciation	<u>4,354</u>	<u>4,354</u>
Property & equipment (net)	81,661	
TOTAL ASSETS	<u>\$ 369,804</u>	<u>\$ 64,079</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll taxes payable	\$ 281	\$ 1,735
Operating lease obligations, current portion	<u>28,287</u>	<u>-</u>
Total current liabilities	28,568	1,735
LONG-TERM LIABILITIES		
Operating lease obligations, net of current portion	<u>53,374</u>	<u>-</u>
TOTAL LIABILITIES	81,942	1,735
NET ASSETS		
Without donor restrictions	<u>287,862</u>	<u>62,344</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 369,804</u>	<u>\$ 64,079</u>

The accompanying notes are integral part of these financial statements.

LOVE THE HUNGRY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

	<u>Total</u>	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>
NET REVENUE	\$ 380,156	\$ 380,156	\$ -	\$ -
COST OF SERVICES	<u>53,513</u>	<u>53,513</u>	<u>-</u>	<u>-</u>
GROSS MARGIN	326,643	326,643	-	-
OPERATING EXPENSES				
Payroll - director	48,462	41,193	4,846	2,423
Payroll - administrative	9,063	7,704	906	453
Payroll taxes	4,401	3,741	440	220
Contract services	1,323	1,125	132	66
Dues and subscriptions	1,339	-	1,339	-
Facilities rental	15,352	12,282	3,070	-
Insurance	7,747	6,198	1,162	387
Mailing service	177	142	27	9
Maintenance and repairs	960	-	960	-
Marketing expense	1,062	637	-	425
Meeting and travel expense	911	775	90	45
Office supplies and expense	1,269	1,015	190	63
Printing and copying expense	1,350	1,080	203	67
Professional fees - accounting and legal	2,845	285	2,418	142
Utilities	934	794	140	-
Telephone	1,159	927	174	58
Volunteering training and support	2,771	2,771	-	-
TOTAL OPERATING EXPENSES	<u>101,125</u>	<u>80,669</u>	<u>16,099</u>	<u>4,358</u>
 INCREASE IN NET ASSETS	 225,518	 \$ <u>245,974</u>	 \$ <u>(16,099)</u>	 \$ <u>(4,358)</u>
 NET ASSETS BEGINNING OF YEAR	 <u>62,344</u>			
 NET ASSETS END OF YEAR	 \$ <u><u>287,862</u></u>			

The accompanying notes are integral part of these financial statements.

LOVE THE HUNGRY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

	<u>Total</u>	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>
NET REVENUE	\$ 159,267	\$ 159,267	\$ -	\$ -
COST OF SERVICES	<u>38,725</u>	<u>38,725</u>	<u>-</u>	<u>-</u>
GROSS MARGIN	120,542	120,542	-	-
OPERATING EXPENSES				
Payroll - director	46,500	39,525	4,650	2,325
Payroll taxes	3,639	3,093	364	182
Employee benefits	3,000	2,550	300	150
Dues and subscriptions	1,109	-	1,109	-
Facilities rental	3,000	2,400	600	-
Insurance	6,966	5,573	1,045	348
Mailing service	252	202	38	13
Maintenance and repairs	314	-	314	-
Marketing expense	413	248	-	165
Meeting and travel expense	370	315	37	19
Office supplies and expense	796	637	119	40
Printing and copying expense	177	142	27	9
Professional fees - accounting	3,541	354	3,010	177
Professional fees - database	1,140	228	741	171
Telephone	1,020	816	153	51
Volunteering training and support	498	498	-	-
TOTAL OPERATING EXPENSES	<u>72,735</u>	<u>56,579</u>	<u>12,506</u>	<u>3,649</u>
DECREASE IN NET ASSETS	47,807	\$ <u>63,963</u>	\$ <u>(12,506)</u>	\$ <u>(3,649)</u>
NET ASSETS BEGINNING OF YEAR	<u>14,537</u>			
NET ASSETS END OF YEAR	\$ <u><u>62,344</u></u>			

The accompanying notes are integral part of these financial statements.

LOVE THE HUNGRY, INC.
STATEMENTS OF CASH FLOWS - INDIRECT METHOD
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

	YEARS ENDED	
	DECEMBER 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 225,518	\$ 47,807
Right-of-use asset reduction	6,834	-
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Short-term investment	10,367	(10,367)
Packaged product inventory	(64,678)	(33,572)
Payroll taxes payable	<u>(1,454)</u>	<u>(116)</u>
Net cash flows provided by operating activities	<u>176,587</u>	<u>3,752</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of operating lease obligation	<u>(6,834)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>14,219</u>	<u>10,467</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 183,972</u>	<u>\$ 14,219</u>

**SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:**

Non-cash transactions:		
Right-of-use asset capitalization - operating lease	\$ 88,495	-
Operating lease obligation	88,495	-

The accompanying notes are integral part of these financial statements.

LOVE THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

NOTE 1 – NATURE OF OPERATIONS

Love the Hungry, Inc., (the Organization), was formed in December of 2011. Working in partnership with non-governmental organizations, the mission of Love the Hungry, Inc. is to provide nutrient-rich meals that alleviate and reverse the effects of malnutrition in young children.

The organization uses Mathile M+ Micronutrients, a formula proven to specifically meet the needs of young children. In 2016, Love the Hungry, Inc. became a charter member of the Alliance for Better Nutrition (ABN). Many ingredients and packaging supplies are purchased through ABN, including M+ Micronutrients. The ABN provides volume discounts and high standards for quality control and sanitation.

Love the Hungry, Inc. has launched a collaborative project designed to address the urgent need for humanitarian aid in South Sudan. The project will include the development of a Nutrition Center to ensure that Nutri-Plenty™ meals are safely stored, properly prepared, and served in a sanitary environment. The project also includes a clean water initiative that was completed in 2019 and consists of a borehole well, solar pumping station, water tower and security fencing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION – The financial statements of Love the Hungry, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset descriptions:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Love the Hungry, Inc.'s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Love the Hungry, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

POLICIES AND BASIS OF ACCOUNTING – The financial statements of Love the Hungry, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. As of December 31, 2022, and 2021, there were no amounts receivable or payable.

CASH, CASH EQUIVALENTS AND LIQUIDITY – Love the Hungry, Inc.'s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with maturities of three months or less from the date of purchase. All cash and cash equivalents on the balance sheet are available within one year of the balance sheet date to meet cash needs for general expenditures. As of December 31, 2022, and 2021, the Organization did not have any cash equivalents.

LOVE THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS – The Organization receives, from time-to-time, donations of marketable securities that are listed at their fair market value as of the date of the statement of financial position. It is the organization's policy to sell these securities as soon as practical after they are received. Therefore, these investments are listed as short-term investments on the statement of financial position.

INVENTORIES – Inventory consisting of packaged product and packaging supplies is stated at cost. Food ingredients and packaging supplies are ordered on an "as needed" basis and are held in short-term storage until shipped to partnering organizations.

PROPERTY AND EQUIPMENT – Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the related assets, which range from five to seven years. Normal repairs and maintenance are expensed as incurred; whereas, significant improvements, which materially increase values or extend useful life, are capitalized, and depreciated over the remaining estimated useful life of the related assets. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale or retirement of assets is recognized in current operations.

TAX-EXEMPT STATUS – The Organization is a tax-exempt organization, under 501 c (3) of the Internal Revenue Code and is only subject to federal income tax on net unrelated business income. The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. These standards prescribe recognition thresholds for tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized because of the implementation of this standard. The Organization's returns are subject to review and examination by federal authorities for a period of three years after the filing due date of the returns.

CONTRIBUTIONS – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed tangible property and equipment are recorded at fair value as of the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. During the year ended December 31, 2021 Love the Hungry, Inc. received \$9,687 from the Small Business Administration (SBA) Payroll Protection Program. The organization has met the SBA's requirement for loan forgiveness and has chosen to recognize the loan forgiveness in accordance with FASB ASC 958-605 as a conditional contribution. As a conditional contribution, the organization has recognized the receipt as income in the current year as it has substantially met the requirements for loan forgiveness.

LOVE THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IN-KIND DONATIONS – Love the Hungry, Inc. received in-kind donations of \$5,500 consisting of corrugated cartons for the year ended December 31, 2021. Such amounts, which are based upon information provided by third party providers, are recorded at their estimated fair value determined on the date of the contribution and are reported as contributions in-kind on the accompanying statement of activities.

DONATED SERVICES – No amounts have been reflected in the financial statements for donated services. Love the Hungry, Inc. pays for most services requiring specific expertise. However, meals are packaged solely by individuals that volunteer their time. Volunteers also assist with a variety of other tasks that help the Organization accomplish its mission. In 2022 and 2021, more than 3,400 and 1,900 volunteers, respectively, participated in packaging events. For the years ended December 31, 2022 and 2021, the Organization delivered over 470,880 and 291,000 meals, respectively.

FUNCTIONAL EXPENSES – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program administrative and fund-raising expenses on an equitable basis as determined by management.

AREAS ASSISTED – The organization provided over 84,000 and 61,000 meals, to local agencies serving families throughout Kentucky and Southern Indiana for the years ended December 31, 2022 and 2021, respectively. During these same periods, the Organization delivered aid to non-governmental organizations in different countries including, Cuba, Ethiopia, Guatemala, Haiti, Lebanon, Liberia, Puerto Rico, Ukraine, and the United States.

MANAGEMENT'S ESTIMATES – The preparation of financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 3 – ADOPTION OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right-of-use assets.

LOVE THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

NOTE 4 – AVAILABILITY AND LIQUIDITY

Love the Hungry, Inc.'s goal is generally to maintain financial assets to meet 90 days of operations. As of December 31, 2022 and 2021, the Organizations only financial assets consisted of cash in bank deposits and are available to meet general expenditures over the next twelve months.

NOTE 5 – ORGANIZATION REVENUE

The Organization's revenue includes donations from individuals, businesses, and other non-profit organizations. It also includes income from the sale of T-shirts with information regarding the organization's mission. A listing of revenue for the years ended December 31, is as follows:

	<u>2022</u>	<u>2021</u>
Donations non-profit organizations	\$ 122,879	\$ 67,958
Donations individuals and businesses	145,557	76,122
In-kind donations		5,500
SBA Payroll Protection Loan		9,687
Other income	<u>111,720</u>	
Total Revenue	<u>\$ 380,156</u>	<u>\$ 159,267</u>

NOTE 6 – COST OF OPERATIONS

The Organization's cost of operations includes the cost of ingredients, packaging, shipping and delivery costs, and the cost of the T-shirts sold. A listing of costs for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Food, supplies and packaging	\$ 39,304	\$ 29,952
South Sudan Nutrition Center	4,452	4,452
Shipping and delivery	<u>9,757</u>	<u>4,321</u>
Total Direct Cost of Operations	<u>\$ 53,513</u>	<u>\$ 38,725</u>

NOTE 7 – OPERATING LEASE

The Organization leased its facilities under an annual lease commitment with Resurrection Lutheran Church until October 2022. Rent expense for the year ended December 31, 2021, amounted to \$3,000. In October of 2022, the Organization entered into a three-year lease agreement with 3103 Fern Valley Road, LLC. The monthly base rent per the agreement was \$2,671 per month. Total payments under this lease were \$8,013 for the year ended December 31, 2022. The Organization will have the option to extend the lease for three-year options at which point the lease will be renewed at terms to be negotiated for each option period. If the Organization does not exercise the option to renew the lease, but continues to occupy the premises, the tenancy will move to a month-to-month basis. See additional information related to this lease in Note 8.

LOVE THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

NOTE 8 – LEASES

As discussed in Note 2, effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*, which changed the classification of the Organization's lease. As discussed in Note 7, with the adoption of FASB ASC 842, *Leases*, the facility lease is classified as an operating lease.

Payments under the Organization's lease arrangement are fixed. The Organization made \$8,013 of fixed cash payments related to the operating lease in 2022. Noncash activities involving right-of-use (ROU) assets obtained in exchange for lease liabilities were \$88,495 for the year ended December 31, 2022, including the impact of adopting FASB ASC 842, *Leases*, in the first quarter of 2022.

Lease liability maturities as of December 31, 2022 are as follows:

2023	\$ 32,052
2024	32,052
2025	<u>24,039</u>
Total undiscounted liabilities	88,143
Less – imputed interest	<u>6,482</u>
Total lease liabilities	\$ <u>81,661</u>
Less – current maturities	<u>28,287</u>
Total long-term	\$ <u>53,374</u>

The weighted-average remaining lease term related to the Organization's lease liabilities was 3 years as of December 31, 2022.

The discount rate related to the Organization's lease liabilities was 5.47% as of December 31, 2022. The discount rate is generally based on estimates of the Organization's incremental borrowing rate, as the discount rate implicit in the Organization's lease cannot be readily determined. Because the organization had no other debt at the time, the average LIBOR rate was used.

NOTE 9 – SUBSEQUENT EVENTS

Organization management evaluated subsequent events through October 31, 2023, which is the date the financial statements were available for issue. As of that date, there were no subsequent events that required disclosure in these financial statements.