

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

March 31, 2021 and 2020

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expense	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9
Supplemental Information	
Independent Auditors' Report on Supplemental Information	22
Consolidating Statements of Financial Position	23
Consolidating Statements of Activities	25

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Children's Hunger Fund and Subsidiary
Sylmar, California

We have audited the accompanying consolidated financial statements of Children's Hunger Fund and its subsidiary (collectively, CHF), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The Board of Directors
Children's Hunger Fund and Subsidiary
Sylmar, California

Opinion

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Hunger Fund and its subsidiary as of March 31, 2021 and 2020, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crause LLP

Woodland Hills, California
July 26, 2021

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statements of Financial Position

	March 31,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 14,414,982	\$ 8,097,861
Pledges and accounts receivable-net	37,197	18,750
Investments	-	1,008
Inventory	2,370,691	4,837,476
Prepaid expenses	567,513	518,669
	17,390,383	13,473,764
Cash held for long-term purpose	5,040,000	30,000
Endowment investments	2,636,997	1,214,751
Deposits	55,541	71,953
Beneficial interest in trusts	61,217	61,217
Land, buildings and equipment-net	14,600,825	15,099,568
	14,600,825	15,099,568
Total Assets	\$ 39,784,963	\$ 29,951,253
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 337,307	\$ 247,507
Accrued expenses	351,316	338,985
Deferred income	43,750	44,867
Current portion of deferred rent and lease incentives	19,914	37,177
Current portion of capital lease obligation	12,862	22,529
Current portion of long-term debt	100,899	162,427
	866,048	853,492
Deferred rent and lease incentives-net of current portion	-	39,670
Capital lease obligation-net of current portion	-	12,655
Long-term debt-net of current portion	4,351,898	4,461,429
	5,217,946	5,367,246
Net Assets:		
Without donor restrictions:		
Undesignated	20,999,085	20,213,720
Designated by board of directors for endowment	1,636,997	1,214,751
	22,636,082	21,428,471
With donor restrictions	11,930,935	3,155,536
	34,567,017	24,584,007
Total Liabilities and Net Assets	\$ 39,784,963	\$ 29,951,253

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended March 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:						
Contributions-cash	\$ 12,061,997	\$ 11,914,499	\$ 23,976,496	\$ 11,422,983	\$ 3,346,036	\$ 14,769,019
Gifts-in-kind	108,450,667	-	108,450,667	49,990,586	-	49,990,586
Government grant	-	1,161,664	1,161,664	-	-	-
Special events revenue	143,400	-	143,400	1,340,970	-	1,340,970
Investment income (loss)	443,989	-	443,989	(33,539)	-	(33,539)
Program service revenue	44,890	-	44,890	132,867	-	132,867
Other income	89,492	-	89,492	242,976	-	242,976
Net assets released from restriction through satisfaction of purpose and time restrictions	4,300,764	(4,300,764)	-	1,669,814	(1,669,814)	-
Total Revenue, Support, and Reclassifications	<u>125,535,199</u>	<u>8,775,399</u>	<u>134,310,598</u>	<u>64,766,657</u>	<u>1,676,222</u>	<u>66,442,879</u>
EXPENSES:						
Program services	121,811,850	-	121,811,850	58,015,089	-	58,015,089
Supporting activities:						
Management and general	1,804,628	-	1,804,628	1,881,231	-	1,881,231
Fundraising	711,110	-	711,110	1,081,826	-	1,081,826
	<u>2,515,738</u>	<u>-</u>	<u>2,515,738</u>	<u>2,963,057</u>	<u>-</u>	<u>2,963,057</u>
Total Expenses	<u>124,327,588</u>	<u>-</u>	<u>124,327,588</u>	<u>60,978,146</u>	<u>-</u>	<u>60,978,146</u>
Change in Net Assets	1,207,611	8,775,399	9,983,010	3,788,511	1,676,222	5,464,733
Net Assets, Beginning of Year	<u>21,428,471</u>	<u>3,155,536</u>	<u>24,584,007</u>	<u>17,639,960</u>	<u>1,479,314</u>	<u>19,119,274</u>
Net Assets, End of Year	<u>\$ 22,636,082</u>	<u>\$ 11,930,935</u>	<u>\$ 34,567,017</u>	<u>\$ 21,428,471</u>	<u>\$ 3,155,536</u>	<u>\$ 24,584,007</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statement of Functional Expense

Year Ended March 31, 2021

	Program Services	Supporting Activities:		Total Expenses
		General and Administrative	Fundraising	
Donated goods and services	\$110,750,783	\$ 22,654	\$ 9,158	\$110,782,595
Personnel costs	5,016,266	1,251,012	466,610	6,733,888
Grants to ministry partners	1,729,160	-	-	1,729,160
Emergency relief	1,021,763	-	-	1,021,763
Depreciation and amortization	841,956	44,785	8,957	895,698
Ministry resources (food, school supplies, books)	604,021	-	-	604,021
Rent	551,439	29,332	5,866	586,637
Freight and shipping charges	327,045	-	-	327,045
Information technology	170,078	61,594	22,846	254,518
Insurance	171,626	26,770	8,856	207,252
Interest	177,917	9,258	1,852	189,027
Utilities	117,605	42,127	15,798	175,530
Outside services	18,405	134,784	2,472	155,661
Bank charges and merchant fees	8,910	130,061	1,197	140,168
Advertising	-	-	105,603	105,603
Printing	30,698	8,064	38,373	77,135
Supplies	43,698	17,645	2,883	64,226
Vehicle fuel and maintenance	63,576	-	-	63,576
Facilities	54,589	2,904	581	58,074
Taxes and licenses	46,984	4,483	1,304	52,771
Postage	21,010	6,577	10,128	37,715
Ministry travel	26,038	4,007	3,414	33,459
Dues and subscriptions	4,285	8,571	4,285	17,141
Volunteer expenses	9,587	-	-	9,587
Mercy network training	3,211	-	-	3,211
Special events	1,200	-	927	2,127
	<u>\$121,811,850</u>	<u>\$ 1,804,628</u>	<u>\$ 711,110</u>	<u>\$124,327,588</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statement of Functional Expense

Year Ended March 31, 2020

	Program Services	Supporting Activities:		Total Expenses
		General and Administrative	Fundraising	
Donated goods and services	\$47,585,220	\$ 19,688	\$ 6,798	\$47,611,706
Personnel costs	4,717,688	1,212,594	434,170	6,364,452
Grants to ministry partners	1,810,124	-	-	1,810,124
Emergency relief	141,780	-	-	141,780
Depreciation and amortization	860,873	45,791	9,158	915,822
Ministry resources (food, school supplies, books)	654,999	-	-	654,999
Rent	549,422	29,225	5,845	584,492
Freight and shipping charges	362,280	-	-	362,280
Information technology	195,817	74,833	26,702	297,352
Insurance	143,741	28,966	9,433	182,140
Interest	205,644	10,631	2,126	218,401
Utilities	136,170	51,580	18,569	206,319
Outside services	27,735	230,014	3,782	261,531
Bank charges and merchant fees	-	100,540	1,016	101,556
Advertising	-	-	27,292	27,292
Printing	50,076	12,519	62,596	125,191
Supplies	41,980	12,462	2,516	56,958
Vehicle fuel and maintenance	81,659	-	-	81,659
Facilities	54,792	2,914	583	58,289
Taxes and licenses	47,387	4,229	1,164	52,780
Postage	20,816	6,791	10,951	38,558
Ministry travel	268,003	31,790	29,039	328,832
Dues and subscriptions	3,332	6,664	3,332	13,328
Volunteer expenses	15,884	-	-	15,884
Mercy network training	39,667	-	-	39,667
Special events	-	-	426,754	426,754
Totals	\$58,015,089	\$ 1,881,231	\$ 1,081,826	\$60,978,146

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,983,010	\$ 5,464,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated inventory	(108,272,774)	(49,514,531)
Distributed inventory	110,686,876	47,135,656
Contributions restricted for building campaign	(5,000,000)	-
Paycheck Protection Program loan forgiveness	(1,161,664)	-
Depreciation and amortization	895,698	918,559
Realized and unrealized (gain) loss on investments	(346,383)	101,832
Gain on disposal of land, buildings and equipment	(4,186)	(203,548)
Net change in:		
Pledges and accounts receivable	(18,447)	28,723
Purchased inventory	52,683	(41,196)
Prepaid expenses	(48,844)	(181,677)
Deposits	16,412	-
Accounts payable	89,800	(83,799)
Accrued expenses	12,331	120,676
Deferred rent and lease incentives	(56,933)	(51,253)
Deferred income	(1,117)	3,925
Net Cash Provided by Operating Activities	6,826,462	3,698,100
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	271,772	39,706
Purchases of investments	(1,346,627)	(41,669)
Proceeds from sale of land, buildings and equipment	6,000	640,000
Purchases of land, buildings and equipment	(398,769)	(164,293)
Net Cash Provided (Used) by Investing Activities	(1,467,624)	473,744

(continued)

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

	Year Ended March 31,	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease repayments	(22,322)	(20,161)
Contributions restricted for building campaign	5,000,000	-
Paycheck Protection Program loan proceeds	1,161,664	-
Proceeds from loan refinance	72,122	-
Capitalization of loan fees	(102,591)	-
Long-term debt repayments	(140,590)	(154,821)
Net Cash Provided (Used) by Financing Activities	5,968,283	(174,982)
Change in Cash and Cash Equivalents	11,327,121	3,996,862
Cash and Cash Equivalents, Beginning of Year	8,127,861	4,130,999
Cash and Cash Equivalents, End of Year	\$ 19,454,982	\$ 8,127,861
RECONCILIATION OF CASH BALANCES:		
Cash and cash equivalents	\$ 14,414,982	\$ 8,097,861
Cash held for long-term purpose	5,040,000	30,000
Total Cash and Cash Equivalents	\$ 19,454,982	\$ 8,127,861
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 195,164	\$ 218,995
Non-cash transaction to recognize loan forgiveness	\$ 1,161,664	\$ -

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

Children's Hunger Fund (CHF) was incorporated in 1991 in California as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, CHF is subject to federal income tax on any unrelated business taxable income. In addition, CHF is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

CHF exists to assist in meeting the physical and spiritual needs of children and their families in the United States and developing countries by obtaining and distributing food and other items and by working in cooperation with other organizations toward that end.

CHF's primary support comes through cash contributions by individuals and organizations and contributions of food and other items.

CHF controls Children's Hunger Fund Legacy Foundation (CHFLF) by virtue of CHF's ability to appoint CHFLF's board of directors and because CHF has an economic interest in CHFLF. CHFLF functions in a manner similar to a supporting organization in that its primary purpose is to provide a means for donors to provide financial support to CHF. CHFLF was incorporated in 1997 in California as a nonprofit organization exempt from income taxes under Section 501(c)(3) of the IRC and comparable state law(s). However, the organization is subject to federal income tax on any unrelated business taxable income. In addition, the organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies is described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

CHF assumed control of CHFLF during the year ended December 31, 2015. During the fifteen month period ended March 31, 2019, CHF and CHFLF both changed their fiscal years from December 31 to March 31. All intercompany transactions and balances have been eliminated. Collectively, CHF and CHFLF are referred to as CHF.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. As of March 31, 2021 and 2020, CHF's cash balances exceeded federally insured limits by approximately \$18,551,000 and \$7,723,000, respectively. CHF has not experienced any losses on these accounts.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES AND ACCOUNTS RECEIVABLE

Unconditional promises to give are recognized as revenue in the period received as either assets, or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHF uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made. All pledges and accounts receivable are expected to be collected within one year. CHF has recorded an allowance for uncollectible pledges of \$0 for the years ended March 31, 2021 and 2020.

INVESTMENTS

Investments consist of shares of equity securities, exchange traded funds (ETFs), corporate bonds, mutual funds, and cash and certificates of deposit. Investments other than cash and certificates of deposit, are carried at fair value, which is based upon quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses are reported as investment income without donor restrictions in the consolidated statements of activities unless restricted by the donor.

CHF uses appropriate valuation techniques to determine fair value based on inputs available. When available, CHF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

INVENTORY

Inventory consists primarily of donated goods and is recorded at estimated exit transaction fair value at the date of receipt, or at the lower of cost or net realizable value if purchased.

PREPAID EXPENSES

Prepaid expenses consist primarily of prepaid events and prepaid insurance for future periods.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for land, buildings, and equipment over \$1,000 are capitalized at cost. Donated items are recorded at the fair value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from five to forty years. Expenditures that increase the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Expenditures for maintenance of property and equipment (including those for planned major maintenance projects), repairs, and minor renewals to maintain facilities in operating condition are generally expensed as incurred. Major replacements and renewals are capitalized.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DEFERRED INCOME

Deferred income represents the unearned portion of cash received related to a grant. Cash received related to grant contracts prior to when services are rendered are recorded as deferred income. The revenue is recognized when it is earned.

NET ASSETS

The consolidated financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of the board of directors for use in CHF's operations, resources invested in a board designated endowment fund and those resources invested in land, buildings and equipment.

Net assets with donor restrictions are those that are stipulated by donors for specific operating purposes, for capital projects, or are subject to time restrictions.

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

REVENUE, SUPPORT AND EXPENSES

Contributions and grants are recorded when cash or unconditional pledges have been received or ownership of donated assets is transferred to CHF. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Contributions and grants are recorded as net assets with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

During the year ended March 31, 2021, CHF received a Paycheck Protection Program (PPP) loan of \$1,161,664. CHF incurred qualifying expenses exceeding the loan amount during the year ended March 31, 2021 and on April 7, 2021, CHF's request for loan forgiveness was granted by the Small Business Administration. The full amount of the loan is included in government grant revenue on the consolidated statements of activities.

Special events revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES, continued

Program service revenue is shown net of cost of goods sold. Total cost of goods sold was approximately \$6,000 and \$25,000, for the years ended March 31, 2021 and 2020, respectively.

During the years ended March 31, 2021 and 2020, CHF received 41.7% and 25.6%, respectively of its cash contributions from one donor and 55.0% and 47.1%, respectively of its cash contributions from the top four donors.

GIFTS-IN-KIND

Donated materials have been recorded as income at the estimated fair value of the material received. The fair value is determined by using exit transaction values in an actual or hypothetical market. Donated materials consist of food, personal hygiene products, toys, books, and other items.

During the years ended March 31, 2021 and 2020, CHF received 32.7% and 37.6%, respectively, of its gift-in-kind contributions from two donors and 50.1% and 53.3%, respectively, of its gift-in-kind contributions from the top four donors.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program ministries and supporting services have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities benefited. Salaries and benefits and information technology costs have been allocated based on an estimate of time spent on each activity. Facility related costs are allocated based on the square footage dedicated to each activity. Other costs are allocated based on management estimates.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amount reported in the consolidated financial statements and disclosures. Accordingly, actual results could differ from estimates.

ADVERTISING

Advertising expense was approximately \$103,000 and \$27,000, for the years ended March 31, 2021 and 2020, respectively. CHF uses advertising to promote the programs and fundraising events of CHF and these costs are expensed as incurred.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

3. FUNDS AVAILABLE AND LIQUIDITY:

The following reflects CHF's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions, or board designations within one year of the consolidated statements of financial position.

	March 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 14,414,982	\$ 8,097,861
Pledges and accounts receivable	37,197	18,750
Investments	-	1,008
Endowment investments	2,636,997	1,214,751
Cash held for long-term purpose	5,040,000	30,000
Financial Assets, at period end	22,129,176	9,362,370
Less those not available for general expenditure within one year:		
Cash held for long-term purpose	(5,040,000)	(30,000)
Net assets restricted for Legacy Initiative	(3,626,812)	-
Endowment investments	(2,568,339)	(1,163,751)
Financial assets available for general expenditure within one year	\$ 10,894,025	\$ 8,168,619

CHF has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CHF is substantially supported by contributions without donor restrictions. CHF has no formal policy to maintain cash reserves, but prepares regular cash projections to monitor available funds to cover coming needs. Additionally, CHF has a \$1,000,000 line of credit with a bank which could be used to meet liquidity needs. Further, because some of the endowment funds are board designated, the board can remove the designation at any time and make the funds immediately available for use. As of March 31, 2021 and 2020, board designated endowment funds were \$1,636,997 and \$1,214,751, respectively.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

4. INVESTMENTS AND ENDOWMENT INVESTMENTS:

Investments and endowment investments consist of the following:

	March 31,	
	2021	2020
Cash and certificates of deposit	\$ 52,416	\$ 54,356
Equity securities and ETFs	1,414,191	535,891
Closed-end Mutual funds	635,988	367,567
Fixed income	534,402	257,945
	\$ 2,636,997	\$ 1,215,759

5. FAIR VALUE MEASUREMENTS:

CHF uses appropriate valuation techniques to determine fair value based on inputs available. When available, CHF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Fair values of assets measured on a recurring basis at March 31, 2021 are as follows:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, and ETFs	\$ 1,414,191	\$ 1,414,191	\$ -	\$ -
Bond mutual funds	534,402	504,348	30,054	-
Closed-end mutual funds	635,988	635,988	-	-
Investments at fair value	2,584,581	\$ 2,554,527	\$ 30,054	\$ -
Cash and certificates of deposit	52,416			
Total investments	\$ 2,636,997			

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at March 31, 2020 are as follows:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, and ETFs	\$ 535,891	\$ 535,891	\$ -	\$ -
Corporate bonds	257,945	176,031	81,914	-
Closed-end mutual funds	<u>367,567</u>	<u>367,567</u>	<u>-</u>	<u>-</u>
Investments at fair value	1,161,403	<u>\$ 1,079,489</u>	<u>\$ 81,914</u>	<u>\$ -</u>
Cash and certificates of deposit	<u>54,356</u>			
Total investments	<u>\$ 1,215,759</u>			

6. LAND, BUILDINGS, AND EQUIPMENT-NET:

Land, buildings, and equipment-net consist of the following:

	March 31,	
	2021	2020
Land	\$ 4,500,000	\$ 4,500,000
Buildings and improvements	9,685,783	9,514,159
Furniture and equipment	3,798,935	3,757,290
Vehicle acquired through capital lease	124,712	124,712
Vehicles	<u>532,432</u>	<u>499,439</u>
	18,641,862	18,395,600
Less accumulated depreciation and amortization	<u>(4,041,037)</u>	<u>(3,296,032)</u>
Land, building, and equipment, net	<u>\$ 14,600,825</u>	<u>\$ 15,099,568</u>

Accumulated amortization related to the vehicle under capital lease was approximately \$125,000 as of March 31, 2021 and 2020.

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

7. LONG-TERM DEBT:

Long-term debt consists of:

	March 31,	
	2021	2020
Tax-exempt loan obligation to a financial institution, collateralized by all of CHF's assets, including real property, monthly payments of \$18,870, including principal and interest at 2.75% at March 31, 2021, maturing November 5, 2050.	\$ 4,555,388	\$ -
Mortgage to a financial institution, collateralized by all of CHF's assets, including real property, monthly payments of \$30,669, including principal and interest at 4.44%. The balance was refinanced during the year ended March 31, 2021.	-	4,633,662
Revolving line of credit with a bank, bearing interest at the bank's variable rate equal to the prime rate minus .25% and no less than 3.0% (3.0% at March 31, 2021), collateralized by a commercial security agreement covering substantially all of CHF's assets. Maximum amount available under the line is \$1,000,000. Interest-only payments due monthly, with principal due on demand, maturing November 1, 2025. CHF did not draw on the line during the year ended March 31, 2021.	-	-
	4,555,388	4,633,662
Less: prepaid loan costs	(102,591)	(9,806)
	4,452,797	4,623,856
Less: current portion	(100,899)	(162,427)
	\$ 4,351,898	\$ 4,461,429

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

7. LONG-TERM DEBT, continued:

At March 31, 2021, annual maturities, are as follows:

<u>Year Ending March 31,</u>	
2022	\$ 100,899
2023	103,247
2024	105,837
2025	109,152
2026	112,234
Thereafter	<u>4,024,019</u>
	<u>\$ 4,555,388</u>

CHF was in compliance with all financial and reporting covenants as of March 31, 2021 and 2020.

8. DEFERRED RENT AND LEASE INCENTIVES:

In March 2016, CHF entered into a real property lease agreement and received certain incentives over the five year term of the rental agreement. The deferred rent and lease incentive represents the unamortized portion of the lease incentives and a portion of straight-line rent expense.

9. CAPITAL LEASE OBLIGATION:

In 2014, CHF entered into a capital lease arrangement for a vehicle valued at \$124,712. The seven year lease bears an implicit interest rate of 10.3%, is due in monthly installments of \$2,089, and is collateralized by the vehicle. The remaining liability balance is included in deferred rent and lease incentives on the consolidated statements of financial position for both years ended March 31, 2021 and 2020. Future payments are as follows:

<u>Year Ending March 31,</u>	
2022	\$ 12,862
Amount representing interest	<u>5,939</u>
	<u>\$ 18,801</u>

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

10. COMMITMENTS AND OPERATING LEASES:

CHF holds operating leases for warehouses in San Antonio, Texas, and Dallas, Texas, and for office equipment, with monthly payments of \$58,000, which leases expire at various times through 2024. For the years ended March 31, 2021 and 2020, the rent and lease expense was approximately \$600,000, and \$609,000 respectively. Future payments under the leases are as follows:

<u>Year Ending March 31,</u>	
2022	\$ 402,921
2023	276,259
2024	<u>50,275</u>
	<u>\$ 729,455</u>

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
Legacy Initiative	\$ 3,672,790	\$ -
International Mercy Networks	1,102,985	1,169,741
Endowment	1,000,000	-
International Mercy Center	122,351	858,408
Emergency relief	366,447	554,077
Catalog programs	565,145	482,093
Beneficial interest in trust	61,217	61,217
Capital programs-building and equipment	<u>5,040,000</u>	<u>30,000</u>
	<u>\$ 11,930,935</u>	<u>\$ 3,155,536</u>

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

12. ENDOWMENT FUNDS:

CHFLF's endowment consists of an endowment with donor imposed restrictions and a quasi-endowment established by the board by designating the investment balance as an endowment under Uniform Prudent Management of Institutional Funds (UPMIFA). CHFLF's endowment consists of the investment asset as a general endowment to support the mission of CHF. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of CHFLF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CHFLF classifies as net assets with donor restriction in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity would be classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CHFLF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of March 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ 1,636,997	\$ 1,000,000	\$ 2,636,997

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

12. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of March 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 1,214,751	\$ -	\$ 1,214,751

Changes in endowment net assets for the year ended March 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, March 31, 2020	\$ 1,214,751	\$ -	\$ 1,214,751
Investment return:			
Interest and dividend income reinvested	47,766	-	47,766
Realized and unrealized gains and losses	352,098	-	352,098
Total investment return	399,864	-	399,864
Additions to endowment	42,382	1,000,000	1,042,382
Appropriation of endowment assets for expenditure	(20,000)	-	(20,000)
Endowment net assets, March 31, 2021	\$ 1,636,997	\$ 1,000,000	\$ 2,636,997

Changes in endowment net assets for the year ended March 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, March 31, 2019	\$ 1,296,695	\$ -	\$ 1,296,695
Investment return:			
Interest and dividend income reinvested	41,669	-	41,669
Realized and unrealized gains and losses	(108,613)	-	(108,613)
Total investment return	(66,944)	-	(66,944)
Appropriation of endowment assets for expenditure	(15,000)	-	(15,000)
Endowment net assets March 31, 2020	\$ 1,214,751	\$ -	\$ 1,214,751

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

12. ENDOWMENT FUNDS, continued:

CHFLF appropriates up to four percent of the fund's average fair value over the three previous calendar year ends for distribution each fiscal year. This policy seeks to maintain principal in the fund by spending below expected average returns.

13. RELATED PARTY:

A member of the board of directors has provided executive consulting services to CHF and served as interim Executive Director of Ministry Development. The amount paid for these services totaled \$2,000 and \$42,000, for the years ended March 31, 2021 and 2020, respectively.

A member of the CHFLF board of directors is part owner of the company that provides marketing services to CHF. The amount paid for these services totaled \$100,000 and \$0, for the years ended March 31, 2021 and 2020, respectively.

14. PENSION PLAN:

CHF has a defined contribution plan covering all employees with at least two years of service. For the years ended March 31, 2021 and 2020, CHF contributed approximately \$89,000 and \$79,000, respectively, to this plan.

15. RISKS AND UNCERTAINTIES

CHF's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on CHF's financial position, operations, and cash flows. Possible effects may include, but are not limited to, absenteeism in CHF's workforce and a decline in value of assets held by CHF, including inventory, endowment investments and fixed assets. The financial impact cannot be estimated at this time because the duration of the pandemic cannot be estimated.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 26, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

The Board of Directors
Children's Hunger Fund and Subsidiary
Sylmar, California

We have audited the consolidated financial statements of Children's Hunger Fund and its subsidiary as of and for the years ended March 31, 2021 and 2020, and our report thereon dated July 26, 2021 which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of March 31, 2021 and 2020, and the consolidating statements of activities for the years ended March 31, 2021 and 2020, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Woodland Hills, California
July 26, 2021

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidating Statement of Financial Position

As of March 31, 2021

	CHF	CHFLF	Eliminations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 10,739,578	\$ 3,675,404	\$ -	\$ 14,414,982
Pledges and accounts receivable	40,322	-	(3,125)	37,197
Inventory	2,370,691	-	-	2,370,691
Prepaid expenses	563,380	4,133	-	567,513
	13,713,971	3,679,537	(3,125)	17,390,383
Cash held for long-term purposes	40,000	5,000,000	-	5,040,000
Endowment investments	-	2,636,997	-	2,636,997
Deposits	55,541	-	-	55,541
Beneficial interest in trusts	61,217	-	-	61,217
Land, buildings and equipment-net	14,600,825	-	-	14,600,825
	14,600,825	-	-	14,600,825
Total Assets	\$ 28,471,554	\$ 11,316,534	\$ (3,125)	\$ 39,784,963
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 337,307	\$ 3,125	\$ (3,125)	\$ 337,307
Accrued expenses	351,316	-	-	351,316
Deferred income	43,750	-	-	43,750
Current portion of deferred rent and lease incentives	19,914	-	-	19,914
Current portion of capital lease obligation	12,862	-	-	12,862
Current portion of long-term debt	100,899	-	-	100,899
	866,048	3,125	(3,125)	866,048
Deferred rent and lease incentives-net of current portion	-	-	-	-
Capital lease obligation-net of current portion	-	-	-	-
Debt-net of current portion	4,351,898	-	-	4,351,898
	5,217,946	3,125	(3,125)	5,217,946
Net Assets:				
Without donor restrictions:				
Undesignated	20,949,485	49,600	-	20,999,085
Designated by board of directors for endowment	-	1,636,997	-	1,636,997
	20,949,485	1,686,597	-	22,636,082
With donor restrictions	2,304,123	9,626,812	-	11,930,935
	23,253,608	11,313,409	-	34,567,017
Total Liabilities and Net Assets	\$ 28,471,554	\$ 11,316,534	\$ (3,125)	\$ 39,784,963

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidating Statement of Financial Position

As of March 31, 2020

	CHF	CHFLF	Eliminations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 8,088,140	\$ 9,721	\$ -	\$ 8,097,861
Pledges and accounts receivable	18,750	-	-	18,750
Investments	1,008	-	-	1,008
Inventory	4,837,476	-	-	4,837,476
Prepaid expenses	515,045	3,624	-	518,669
	13,460,419	13,345	-	13,473,764
Cash held for long-term purposes	30,000	-	-	30,000
Endowment investments	-	1,214,751	-	1,214,751
Deposits	71,953	-	-	71,953
Beneficial interest in trusts	61,217	-	-	61,217
Land, buildings and equipment-net	15,099,568	-	-	15,099,568
	13,460,419	13,345	-	13,473,764
Total Assets	\$ 28,723,157	\$ 1,228,096	\$ -	\$ 29,951,253
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 243,757	\$ 3,750	\$ -	\$ 247,507
Accrued expenses	338,985	-	-	338,985
Deferred income	44,867	-	-	44,867
Current portion of deferred rent and lease incentives	37,177	-	-	37,177
Current portion of capital lease obligation	22,529	-	-	22,529
Current portion of long-term debt	162,427	-	-	162,427
	849,742	3,750	-	853,492
Deferred rent and lease incentives-net of current portion	39,670	-	-	39,670
Capital lease obligation-net of current portion	12,655	-	-	12,655
Debt-net of current portion	4,461,429	-	-	4,461,429
	5,363,496	3,750	-	5,367,246
Net Assets:				
Without donor restrictions				
Undesignated	20,204,125	9,595	-	20,213,720
Designated by board of directors for endowment	-	1,214,751	-	1,214,751
	20,204,125	1,224,346	-	21,428,471
With donor restrictions	3,155,536	-	-	3,155,536
	23,359,661	1,224,346	-	24,584,007
Total Liabilities and Net Assets	\$ 28,723,157	\$ 1,228,096	\$ -	\$ 29,951,253

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidating Statement of Activities

For the Year Ended March 31, 2021

	CHF	CHFLF	Eliminations	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:				
Contributions-cash	\$ 14,300,856	\$ 10,054,022	\$ (378,382)	\$ 23,976,496
Gifts-in-kind	108,038,193	412,474	-	108,450,667
Government grant	1,161,664	-	-	1,161,664
Special events revenue	143,400	-	-	143,400
Investment income (loss)	31,312	412,677	-	443,989
Program service revenue	44,890	-	-	44,890
Other income	89,492	-	-	89,492
Net assets released from restriction through satisfaction of purpose and time restrictions	-	-	-	-
Total Revenue, Support, and Reclassifications	123,809,807	10,879,173	(378,382)	134,310,598
EXPENSES:				
Program services	121,430,508	759,724	(378,382)	121,811,850
Supporting activities:				
Management and general	1,775,492	29,136	-	1,804,628
Fundraising	709,860	1,250	-	711,110
	2,485,352	30,386	-	2,515,738
Total Expenses	123,915,860	790,110	(378,382)	124,327,588
Change in Net Assets	(106,053)	10,089,063	-	9,983,010
Net Assets, Beginning of Year	23,359,661	1,224,346	-	24,584,007
Net Assets, End of Year	\$ 23,253,608	\$ 11,313,409	\$ -	\$ 34,567,017

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND AND SUBSIDIARY

Consolidating Statement of Activities

For the Year Ended March 31, 2020

	CHF	CHFLF	Eliminations	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:				
Contributions-cash	\$ 14,755,601	\$ 19,709	\$ (6,291)	\$ 14,769,019
Gifts-in-kind	49,598,676	391,910	-	49,990,586
Special events revenue	1,340,970	-	-	1,340,970
Investment income (loss)	33,405	(66,944)	-	(33,539)
Program service revenue	132,867	-	-	132,867
Other income	242,976	-	-	242,976
Net assets released from restriction through satisfaction of purpose and time restrictions	-	-	-	-
Total Revenue, Support, and Reclassifications	66,104,495	344,675	(6,291)	66,442,879
EXPENSES:				
Program services	57,612,970	408,410	(6,291)	58,015,089
Supporting activities:				
Management and general	1,849,729	31,502	-	1,881,231
Fundraising	1,080,326	1,500	-	1,081,826
	2,930,055	33,002	-	2,963,057
Total Expenses	60,543,025	441,412	(6,291)	60,978,146
Change in Net Assets	5,561,470	(96,737)	-	5,464,733
Net Assets, Beginning of Year	17,798,191	1,321,083	-	19,119,274
Net Assets, End of Year	\$ 23,359,661	\$ 1,224,346	\$ -	\$ 24,584,007

See notes to consolidated financial statements