

# **The Global Hunger Project and Affiliates**

Consolidated Financial Report  
December 31, 2015

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## Independent Auditor's Report

To the Board of Directors  
The Global Hunger Project  
New York, New York

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Global Hunger Project and Affiliates (Bangladesh, India, Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Senegal, Uganda, Mozambique, and Mexico), which comprise the consolidated balance sheet as of December 31, 2015, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the 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.

### Auditor's Responsibility

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Global Hunger Project and Affiliates as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited The Global Hunger Project and Affiliates' 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*RSM US LLP*

McLean, Virginia  
October 7, 2016

## The Global Hunger Project and Affiliates

### Consolidated Balance Sheet December 31, 2015 (With Comparative Totals for 2014)

	2015	2014
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 7,039,523	\$ 8,460,267
Receivables, net (Notes 2 and 12)	4,170,327	3,960,320
Micro-credit loans, net (Note 3)	1,280,074	1,272,143
Investments (Notes 4, 10, and 11)	1,639,393	2,392,655
Property and equipment, net (Note 5)	999,873	1,205,564
Other assets	630,047	504,770
	<u>\$ 15,759,237</u>	<u>\$ 17,795,719</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,935,658	\$ 1,853,995
Deferred rent (Note 7)	325,322	446,863
<b>Total liabilities</b>	<u>2,260,980</u>	<u>2,300,858</u>
Commitments and contingency (Notes 7, 9 and 12)		
Net assets:		
Unrestricted	8,965,138	11,159,770
Temporarily restricted (Note 6)	4,533,119	4,335,091
	<u>13,498,257</u>	<u>15,494,861</u>
	<u>\$ 15,759,237</u>	<u>\$ 17,795,719</u>

See notes to consolidated financial statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Activities  
Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants (Note 12)	\$ 13,205,670	\$ 3,451,247	\$ 16,656,917	\$ 16,786,334
Micro-credit finance revenue (Note 3)	204,125	-	204,125	542,280
Investment income (Note 4)	361,255	-	361,255	59,222
Sublease income (Note 7)	277,490	-	277,490	236,278
Other	236,111	-	236,111	246,768
Released from restrictions (Note 6)	3,253,219	(3,253,219)	-	-
<b>Total support and revenue</b>	<b>17,537,870</b>	<b>198,028</b>	<b>17,735,898</b>	<b>17,870,882</b>
Expenses:				
Program services:				
Education and advocacy	1,271,805	-	1,271,805	1,128,290
Africa	9,577,220	-	9,577,220	10,075,206
Asia	3,587,400	-	3,587,400	3,185,222
Latin America	841,284	-	841,284	894,873
<b>Total program services</b>	<b>15,277,709</b>	<b>-</b>	<b>15,277,709</b>	<b>15,283,591</b>
Supporting services:				
Management and general	1,845,307	-	1,845,307	1,830,255
Fundraising	2,060,024	-	2,060,024	1,937,864
<b>Total supporting services</b>	<b>3,905,331</b>	<b>-</b>	<b>3,905,331</b>	<b>3,768,119</b>
<b>Total expenses</b>	<b>19,183,040</b>	<b>-</b>	<b>19,183,040</b>	<b>19,051,710</b>
<b>Change in net assets from operations</b>	<b>(1,645,170)</b>	<b>198,028</b>	<b>(1,447,142)</b>	<b>(1,180,828)</b>
Foreign currency translation loss	(549,462)	-	(549,462)	(502,589)
<b>Change in net assets</b>	<b>(2,194,632)</b>	<b>198,028</b>	<b>(1,996,604)</b>	<b>(1,683,417)</b>
Net assets:				
Beginning	11,159,770	4,335,091	15,494,861	17,178,278
Ending	\$ 8,965,138	\$ 4,533,119	\$ 13,498,257	\$ 15,494,861

See notes to consolidated financial statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Functional Expenses

Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015										
	Program Services					Supporting Services					2014 Total
	Education and Advocacy	Africa	Asia	Latin America	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total		
Direct investment	\$ -	\$ 5,033,254	\$ 1,712,977	\$ 74,839	\$ 6,821,070	\$ -	\$ -	\$ -	\$ 6,821,070	\$ 6,266,419	
Salaries and benefits	755,508	2,489,530	938,933	375,405	4,559,376	1,129,114	1,256,795	2,385,909	6,945,285	6,711,055	
Rent and occupancy	141,824	312,111	130,901	46,447	631,283	234,912	178,075	412,987	1,044,270	1,097,512	
Professional services	119,409	606,528	151,080	110,636	987,653	268,296	144,188	412,484	1,400,137	1,467,119	
Production, design, printing and conferences	53,942	116,335	294,468	32,090	496,835	19,516	276,456	295,972	792,807	837,113	
Travel and related costs	60,976	283,106	212,167	62,271	618,520	51,463	101,900	153,363	771,883	1,172,538	
Depreciation and amortization	16,770	178,193	32,911	7,517	235,391	35,794	27,163	62,957	298,348	365,474	
Office	31,323	290,326	82,250	10,908	414,807	33,590	17,287	50,877	465,684	439,210	
Telephone	7,699	86,270	7,413	3,270	104,652	8,561	16,551	25,112	129,764	154,737	
Corporate	13,616	56,766	9,653	12,375	92,410	31,359	22,055	53,414	145,824	127,253	
Grants	-	-	-	97,200	97,200	-	-	-	97,200	103,309	
Data processing	69,288	10,467	4,318	28	84,101	30,598	7,880	38,478	122,579	131,466	
Shipping	1,450	2,967	4,033	8,298	16,748	2,104	11,674	13,778	30,526	55,225	
Provision for doubtful loans – Micro-credit	-	111,367	6,296	-	117,663	-	-	-	117,663	123,280	
<b>Total expenses</b>	<b>\$ 1,271,805</b>	<b>\$ 9,577,220</b>	<b>\$ 3,587,400</b>	<b>\$ 841,284</b>	<b>\$ 15,277,709</b>	<b>\$ 1,845,307</b>	<b>\$ 2,060,024</b>	<b>\$ 3,905,331</b>	<b>\$ 19,183,040</b>	<b>\$ 19,051,710</b>	

See notes to consolidated financial statements.

## The Global Hunger Project and Affiliates

### Consolidated Statement of Cash Flows Year Ended December 31, 2015 (With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (1,996,604)	\$ (1,683,417)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Deferred rent	(121,541)	(80,699)
Depreciation and amortization	298,348	365,474
Increase in provision for doubtful accounts and discount to present value	63,737	37,055
Doubtful loans expense – micro-credit	128,759	148,859
Decrease in provision for doubtful loans – micro-credit	(11,096)	(25,579)
Increase in cash surrender value of life insurance	(98,983)	(55,818)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(273,744)	1,488,954
Increase in other assets	(125,277)	(133,748)
Increase in accounts payable and accrued expenses	81,663	223,276
<b>Net cash (used in) provided by operating activities</b>	<b>(2,054,738)</b>	<b>284,357</b>
Cash flows from investing activities:		
Purchase of investments	(95,957)	(2,503,639)
Proceeds from sale and maturity of investments	948,202	3,435,502
Disbursements on micro-credit loans, net	(125,594)	(176,743)
Purchase of property and equipment	(101,821)	(271,199)
Proceeds from sale of property and equipment	9,164	-
<b>Net cash provided by investing activities</b>	<b>633,994</b>	<b>483,921</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,420,744)</b>	<b>768,278</b>
Cash and cash equivalents:		
Beginning	8,460,267	7,691,989
Ending	<b>\$ 7,039,523</b>	<b>\$ 8,460,267</b>

See notes to consolidated financial statements.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Global Hunger Project is a not-for-profit, nonmember, public benefit corporation organized and existing under the laws of California. It delivers and supports programs through certain affiliated entities in Africa, South Asia and Latin America (Program Country entities). The Global Hunger Project also co-operates with certain partner entities in developed countries that use the name “The Hunger Project” (Partner Country entities) to jointly fund programs operated by, and other activities of, The Global Hunger Project and its Program Country entities. The Global Hunger Project and affiliated Program Country entities operate globally and are hereafter referred to as “The Hunger Project” (THP).

THP is a strategic organization and global movement whose mission is to end hunger and poverty by pioneering sustainable, grassroots, women-centered strategies and advocating for their widespread adoption in countries throughout the world. In Africa, South Asia and Latin America, THP’s programs empower people to create lasting society-wide progress in health, education, nutrition, family income, gender equality, and environmental sustainability. THP fully supports the United Nations Sustainable Development Goals (SDGs). The essential elements of THP’s gender-focused, community-led development approach include mobilizing village clusters for self-reliant action, empowering women as key change agents, and forging effective partnerships with local government.

**Partner Country Entities:** Partner Country entities are organized and registered according to the laws of the countries in which they were formed. The financial position and activities of affiliated Partner Country entities, which are based in developed countries outside of the United States (e.g., THP-Australia, THP-Germany, THP-Netherlands, etc.), are not included in these consolidated financial statements. Funds received from and/or pledged by Partner Country entities during the reporting period are reported as revenue of the consolidated entity (see “Consolidation Policy” in this Note 1). These affiliated entities are not controlled by The Global Hunger Project: they have separate boards, and no funding is provided to them. However, there are charter agreements in place for the use of THP’s name. These agreements can be terminated at any time. Among other activities, the Partner Country entities raise funds that, less their own expenses, are applied to THP programs.

**Program Country Entities:** The financial positions of Program Country entities that implement programs in the developing world (e.g., THP-Senegal, THP-Bangladesh) are consolidated into these financial statements. Each entity is registered according to the laws of its own country and is led by a Country Director who reports directly to a Vice President or the Chief Executive Officer of The Global Hunger Project. All Program Country Directors are citizens and residents of their respective countries. They have individual contractual agreements with and are compensated directly from The Global Hunger Project. The Program Country Directors’ contracts can be cancelled for cause or otherwise at any time with proper notice. The affiliated Program Country entities are effectively controlled by The Global Hunger Project Inc. as they receive substantially all of their funding based on an annual operational program budget approved by The Global Hunger Project.

A summary of THP’s significant programs is as follows:

**Education and Advocacy:** Influencing policymakers to adopt key elements of THP’s methodology and educating a worldwide constituency on gender-focused, community-led development are high priorities of THP. During the year ended December 31, 2015, THP played a leadership role within civil society networks for food and nutrition security, water and sanitation, maternal and child health, halting child marriage and gender-based violence; and local governance with a strong emphasis on gender equality and the empowerment of women in all these sectors. During the year ended December 31, 2015, THP held high-level dialogue in South Africa on the Sustainable Development Goals and launched the Movement for Community-led Development, which unites a broad range of international development organizations that fundamentally believe integrated and community-led solutions at the local level are critical to the effectiveness and sustainability of THP’s shared work to end hunger and extreme poverty.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Africa:** In Africa, THP implements an integrated, people-centered approach called the Epicenter Strategy in Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique, Senegal, and Uganda, with offices in all eight of these countries.

The Epicenter Strategy mobilizes the population of clusters of villages to work together to create and run their own programs to meet basic needs. The centerpiece of the strategy is an L-shaped building that houses the community's programs for health, education, food security, and economic development. Communities launch village-level projects to generate their own income and build classrooms, food storage facilities, and nurses' quarters to ensure ready access to health care.

During the year ended December 31, 2015, the Epicenter Strategy reached 1.7 million people across Africa, the majority of whom live in 117 of THP's epicenters. The Microfinance Program, a component of the integrated Epicenter Strategy, had nearly 160,433 active participants as of December 31, 2015, with \$1.19 million in outstanding loans and \$726,100 in total savings.

**Asia:** In South Asia, THP has offices in India and Bangladesh. In India, THP focuses on empowering the women leaders elected to village councils to be effective agents of change. The strategy builds their capacity through distinct forms of training, advocacy, and federation-building each year of their five-year tenures. During the year ended December 31, 2015, over 5,000 elected women leaders participated in Women's Leadership Workshops and are taking action to bring water, health, education, and better incomes to their villages. In Bangladesh, the centerpiece of THP's strategy is the training and ongoing support of volunteer animators and youth leaders, who organize projects such as campaigns against early marriage, dowry and violence against women; education programs for safe drinking water, nutrition, and sanitation; birth registration for rural communities; and income-generating activities.

**Latin America:** THP has an office in Mexico and works in partnership with an established organization in Peru that shares THP's vision and philosophy. In Mexico, THP, in partnership with local government, trains catalysts (volunteer leaders), who launch village-level projects for the end of hunger in their communities. In Peru, THP works with a partner organization, Chirapaq, a coalition of indigenous organizations who are promoting access to opportunities, the exercise of women's and indigenous rights, and collaboration with local and regional governments.

A summary of the significant accounting policies of THP follows:

**Basis of accounting:** THP maintains its accounting records and prepares its consolidated financial statements on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when incurred.

**Consolidation policy:** These financial statements report the consolidated activities of The Global Hunger Project and its affiliated Program Country entities. Since both The Global Hunger Project and its Program Country entities may receive funding from Partner Country entities, funds received from and/or pledged by Partner Country entities during the reporting period are reported as revenue of the consolidated entity. All significant transactions between The Global Hunger Project and the Affiliates have been eliminated in consolidation.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Basis of presentation:** The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the FASB ASC, *Financial Statements of Not-for-Profit Organizations*, THP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted net assets** are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations, and include amounts controlled by either THP or its affiliates' boards of directors.

**Temporarily restricted net assets** result from contributions with usage limited by donor-imposed stipulations that either expire by the passage of time or which are fulfilled and removed by actions of THP pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

**Permanently restricted net assets** result from contributions with usage limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by THP's actions. THP had no permanently restricted net assets at December 31, 2015.

**Cash and cash equivalents:** For the purpose of reporting cash flows, THP considers money market accounts not invested in a professionally managed portfolio to be cash equivalents. Amounts held internationally by program countries total \$4,490,824 at December 31, 2015, and are included in cash and cash equivalents on the accompanying consolidated balance sheet.

**Financial risk:** THP maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. THP has not experienced any losses in such accounts. THP believes it is not exposed to any significant financial risk on cash.

THP invests in a professionally managed portfolio that includes equity and money market funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

**Promises to give:** Promises to give are comprised of cash held and due from affiliated Partner Country entities at December 31, 2015, as well as U.S. promises to give. Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance for doubtful promises to give by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

**Micro-credit loans:** Micro-credit loans (loans) are recorded as a receivable when funds are initially paid to the borrower and as a reduction of the receivable upon repayment by the borrower. The loans are classified based on age of loan, regardless of whether the loan belongs to a group or individual. The allowance for loan losses is monitored by management in order to maintain accurate loan portfolio balances. The loans are recorded at the principal amount, net of allowances for doubtful loans. Loan losses are recorded when management believes that the principal is unlikely to be collected. The provision for doubtful loans at December 31, 2015, was \$89,740.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

**Property and equipment:** THP capitalizes all property and equipment with a cost of \$5,000 or more. Property and equipment are recorded at cost and depreciated over their useful life using the straight-line method of depreciation. Leasehold improvements are recorded at cost and amortized over the lesser of the useful life or lease term on a straight-line basis.

**Valuation of long-lived assets:** THP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. THP had no impairments of long-lived assets during the year ended December 31, 2015.

Other assets held internationally in Program Country entities total \$493,469 at December 31, 2015, and are included in other assets on the accompanying consolidated balance sheet.

**Deferred rent:** The Global Hunger Project has a lease agreement for rental space in New York City. Under the terms of the lease agreement, The Global Hunger Project occupied its office space for a period of free rent during the initial rental period. In addition, a landlord improvement allowance was provided for leasehold improvements. The benefits that The Global Hunger Project received from the free rent, allowance, and rent increases in future years, are being allocated on a straight-line basis over the term of the lease. The difference between the expense and the cash payments is reported as deferred rent.

**Support and revenue:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Revenue from grants are recognized when expenses are incurred. Amounts received in advance are classified as refundable advances until expended for the purposes of the grants and included in accounts payable and accrued expenses on the consolidated balance sheet.

**Foreign currency transactions and translations:** Foreign currency transactions are recorded in U.S. dollars at the actual exchange rates in effect at the date of the transactions. Net losses on foreign currency fluctuations were \$549,462 for the year ended December 31, 2015. Financial statements of Program Country entities' activities are translated into U.S. dollars using period-end exchange rates for assets and liabilities, and average exchange rates for revenue and expenses during the reporting period.

**Expenses:** Direct costs associated with specific programs are recorded as direct program expenses. Personnel costs, depreciation, occupancy, office, data processing, and certain corporate expenses are allocated to programs based on employee time distributions. Management and general expenses are unallocated on the statement of activities.

**Direct investment expenses:** Direct investment expenses are the costs associated with implementing programs at the country level in Africa, South Asia, and Latin America. They include, for example, costs related to food security activities; construction of epicenter buildings and facilities; and workshops to train partners in areas such as leadership, income generation, and nutrition, etc. The costs of constructing Epicenter buildings and facilities in the Program Country entities are expensed in the year they are incurred, since they are considered a gift to the community, and not a THP asset.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Income taxes:** THP is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, THP qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. THP did not have any net unrelated business income for the year ended December 31, 2015. Management has evaluated THP's tax positions and has concluded that THP has taken no uncertain tax positions that require disclosure. Generally, THP is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for years before 2012.

**Use of estimates:** The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Prior year information:** The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with THP's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Recent accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition on the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

**Reclassifications:** Certain reclassifications were made to the 2014 summarized comparative information to conform to the 2015 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

**Subsequent events:** Subsequent events have been evaluated through October 7, 2016, which is the date the consolidated financial statements were available to be issued.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Receivables

Receivables at December 31, 2015, consist of the following:

Promises to give:	
The Global Hunger Project	\$ 689,393
Partner Country entities	3,672,561
Mozambique	5,087
Mexico	8,324
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	4,375,365
Less provision for doubtful promises	186,669
Less discount to present value	18,369
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<b>Net promises to give</b>	<b>\$ 4,170,327</b>
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Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of approximately 3%. Unconditional promises to give at December 31, 2015, consist of the following:

Promises to give in less than one year	\$ 4,066,168
Promises to give in one to five years	309,197
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	\$ 4,375,365
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#### Note 3. Micro-Credit Loans

Micro-credit loans at December 31, 2015, consist of the following:

Benin	\$ 575,642
Senegal	364,382
Burkina Faso	255,654
Ghana	115,248
Mozambique	58,888
	<hr/>
	1,369,814
Less provision for doubtful loans	89,740
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	\$ 1,280,074
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Annual interest rates range from 10% to 36%. A savings deposit of 10% of the loan principal is required upon disbursement of the funds, and most loan terms are between six months to one year. Total savings at December 31, 2015, are \$726,102 and are included in accounts payable and accrued expenses on the consolidated balance sheet. All loans outstanding at December 31, 2015, are due within the next 12 months. Approximately \$121,000 of the total outstanding is past due at December 31, 2015.

Cash held by the microfinance programs totals \$1,146,113 at December 31, 2015, and is included in cash and cash equivalents on the accompanying consolidated balance sheet.

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

#### Note 3. Micro-Credit Loans (Continued)

Loans are considered delinquent if they have not been repaid when due. A summary of activity in the allowance for loan losses for the year ended December 31, 2015, is as follows:

Balance at beginning of the year	\$ 100,836
Provision for loan losses	117,663
Loans written off	(128,759)
	<u>\$ 89,740</u>

#### Note 4. Investments

Investments at December 31, 2015, consist of the following:

Cash surrender value of life insurance policy	\$ 1,307,685
Certificates of deposit	230,239
Equity securities	97,475
Money market funds	3,994
	<u>\$ 1,639,393</u>

Investment income for the year ended December 31, 2015, consists of the following:

Interest income - India	\$ 165,930
Increase in cash surrender value of life insurance policy	98,983
Interest income - U.S.	96,342
	<u>\$ 361,255</u>

#### Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2015, and depreciation and amortization expense for the year ended December 31, 2015, consist of the following:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation and Amortization Expense
New York:					
Leasehold improvements	Lease term	\$ 792,927	\$ 632,974	\$ 159,953	\$ 80,390
Furniture and equipment	5 to 10 years	188,741	151,005	37,736	12,190
		<u>981,668</u>	<u>783,979</u>	<u>197,689</u>	<u>92,580</u>
Program Countries:					
Furniture and equipment	3 to 10 years	2,326,565	1,524,381	802,184	205,768
		<u>\$ 3,308,233</u>	<u>\$ 2,308,360</u>	<u>\$ 999,873</u>	<u>\$ 298,348</u>

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

#### Note 6. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended December 31, 2015, are as follows:

	Balance December 31, 2014	Additions	Released	Balance December 31, 2015
Time restricted:				
Promises to give	\$ 3,829,070	\$ 1,494,631	\$ 1,247,124	\$ 4,076,577
Program restricted:				
Bangladesh	206,188	861,518	785,843	281,863
Ghana	131,250	-	37,500	93,750
India	122,830	738,158	780,059	80,929
Senegal	45,753	-	45,753	-
Mexico	-	356,940	356,940	-
	<u>\$ 4,335,091</u>	<u>\$ 3,451,247</u>	<u>\$ 3,253,219</u>	<u>\$ 4,533,119</u>

#### Note 7. Lease

THP has a lease for office space in New York City, which expires on March 31, 2018. The lease provides for a period of free rent, a landlord improvement allowance, and escalating payments. Rent expense is being recognized on a straight-line basis over the term of the lease. The difference between the expense and the cash payments, which was \$325,322 at December 31, 2015, is reported as deferred rent on the accompanying consolidated balance sheet. Rent expense for the year ended December 31, 2015, was \$516,532.

The landlord required that in lieu of a security deposit, THP has a letter of credit for \$228,858. The letter of credit is secured by a certificate of deposit which is included in investments. In addition, THP has an agreement to sublet a portion of its current office space, which expires in September 2017, and results in monthly rental receipts totaling approximately \$23,000.

Future minimum lease payments at December 31, 2015, net of sublease income, are as follows:

	Lease Commitment	Sublease Income	Net Lease Commitment
Years ending December 31:			
2016	\$ 600,401	\$ 243,000	\$ 357,401
2017	618,413	172,125	446,288
2018	156,925	-	156,925
	<u>\$ 1,375,739</u>	<u>\$ 415,125</u>	<u>\$ 960,614</u>

## The Global Hunger Project and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 8. Retirement Plans

THP has a profit sharing employee retirement plan (the Plan) covering substantially all U.S. employees who are 18 years of age and have completed 1,000 hours of service. Amounts contributed to the Plan are discretionary and determined on an annual basis. For the year ended December 31, 2015, THP made contributions of \$50,959 to the Plan. Subsequent to year-end, the Plan was amended to include employer matching contributions equal to 100% of the employee's individual contribution, up to \$500 for each employee. Vesting occurs 20% each year over 5 years. There is also an additional discretionary employer contribution determined annually, and employees are 100% vested.

THP also maintains a 403(b) savings plan (the Savings Plan) for all full-time employees. Employees are eligible to participate immediately upon employment. THP contributed \$10,000 to the Savings Plan for the year ended December 31, 2015.

#### Note 9. Commitment – Retirement Contract

THP has a postretirement contract with the Founding President. Under the terms of this agreement, the Founding President will receive \$100,000 per year in exchange for part-time services rendered. Payments shall continue until the earlier of death or failure to comply with the conditions of the agreement, specifically to not provide services as an employee, officer or director or participate in any fundraising activities for an entity with goals, objectives, and methods similar to the THP.

#### Note 10. Life Insurance

THP has a life insurance policy on the Founding President. THP pays the premiums and is the sole beneficiary on the policy. Total face amount and cash surrender value of the policy at December 31, 2015, was \$2,138,381 and \$1,307,685, respectively.

#### Note 11. Fair Value Measurements

The *Fair Value Measurement* Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. It enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, THP performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. THP had no Level 3 assets at December 31, 2015.

## **The Global Hunger Project and Affiliates**

### **Notes to Consolidated Financial Statements**

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#### **Note 11. Fair Value Measurements (Continued)**

THP's equity securities and money market funds totaling \$97,475 and \$3,994, respectively, are publicly traded on the New York Stock Exchange and are considered Level 1 items.

Certificates of deposit totaling \$230,239 are not subject to the provisions of fair value measurements as they are recorded at cost. Cash surrender value of the life insurance policy in the amount of \$1,307,685 is also excluded from the above schedule since it is carried at cash surrender value and not fair value.

#### **Note 12. Related Parties**

During the year ended December 31, 2015, contributions received from board members were \$1,379,270 and are included on the accompanying consolidated statement of activities. Promises to give from board members and THP executive staff were \$218,000 at December 31, 2015, and are included on the accompanying consolidated balance sheet.

Partner Country entities' (see Note 1, Basis of consolidation) contributions of \$8,072,907 comprise 46% of THP's total revenue for the year ended December 31, 2015. Partner Country promises to give of \$3,672,561, comprise 88% of THP's promises to give at December 31, 2015.