

The Global Hunger Project and Affiliates

Consolidated Financial Report
December 31, 2014

Contents

Independent Auditor's Report	1-2
<hr/>	
Financial Statements	
Consolidated balance sheet	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-15



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 balance sheet of The Global Hunger Project and Affiliates (Bangladesh, India, Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Senegal, Uganda, Mozambique, and Mexico) as of December 31, 2014, 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, 2014, 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' 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 2, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McGladrey LLP

McLean, Virginia
July 9, 2015

The Global Hunger Project and Affiliates

Consolidated Balance Sheet

December 31, 2014

(With Comparative Totals for 2013)

	2014	2013
Assets		
Cash and Cash Equivalents (Note 3)	\$ 8,460,267	\$ 7,691,989
Receivables, Net (Notes 2 and 12)	3,960,320	5,486,329
Micro-Credit Loans, Net (Note 3)	1,272,143	1,218,680
Investments (Notes 4, 10, and 11)	2,392,655	3,190,749
Property and Equipment, Net (Note 5)	1,205,564	1,377,790
Other Assets	504,770	371,022
	<u>\$ 17,795,719</u>	<u>\$ 19,336,559</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,853,995	\$ 1,630,719
Deferred rent (Note 7)	446,863	527,562
Total liabilities	<u>2,300,858</u>	<u>2,158,281</u>
Commitments (Notes 7 and 9)		
Net Assets		
Unrestricted	11,159,770	11,442,802
Temporarily restricted (Note 6)	4,335,091	5,735,476
	<u>15,494,861</u>	<u>17,178,278</u>
	<u>\$ 17,795,719</u>	<u>\$ 19,336,559</u>

See Notes to Consolidated Financial Statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Contributions and grants (Note 12)	\$ 14,453,310	\$ 2,333,024	\$ 16,786,334	\$ 16,384,474
Micro-credit finance revenue (Note 3)	542,280	-	542,280	833,598
Investment income (Note 4)	59,222	-	59,222	61,000
Other	483,046	-	483,046	476,695
Released from restrictions (Note 6)	3,733,409	(3,733,409)	-	-
Total support and revenue	19,271,267	(1,400,385)	17,870,882	17,755,767
Expenses				
Program services:				
Education and advocacy	1,128,290	-	1,128,290	881,666
Africa	10,075,206	-	10,075,206	9,637,456
Asia	3,185,222	-	3,185,222	2,626,212
Latin America	894,873	-	894,873	906,609
Total program services	15,283,591	-	15,283,591	14,051,943
Supporting services:				
Management and general	1,830,255	-	1,830,255	1,451,915
Fund raising	1,937,864	-	1,937,864	1,986,378
Total supporting services	3,768,119	-	3,768,119	3,438,293
Total expenses	19,051,710	-	19,051,710	17,490,236
Change in net assets from operations	219,557	(1,400,385)	(1,180,828)	265,531
Foreign currency translation loss	(502,589)	-	(502,589)	(178,660)
Change in net assets	(283,032)	(1,400,385)	(1,683,417)	86,871
Net Assets				
Beginning	11,442,802	5,735,476	17,178,278	17,091,407
Ending	\$ 11,159,770	\$ 4,335,091	\$ 15,494,861	\$ 17,178,278

See Notes to Consolidated Financial Statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Functional Expenses

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014										2013 Total
	Program Services					Supporting Services					
	Education and Advocacy	Africa	Asia	Latin America	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total		
Direct Investment	\$ -	\$ 5,021,522	\$ 1,143,639	\$ 101,258	\$ 6,266,419	\$ -	\$ -	\$ -	\$ 6,266,419	\$ 5,891,187	
Salaries and Benefits	578,127	2,617,015	936,052	395,814	4,527,008	1,169,184	1,014,863	2,184,047	6,711,055	5,912,418	
Rent and Occupancy	79,846	394,980	166,205	55,690	696,721	240,144	160,647	400,791	1,097,512	903,150	
Professional Services	222,565	667,298	136,079	111,136	1,137,078	228,623	101,418	330,041	1,467,119	1,351,200	
Production, Design, Printing and Conferences	31,086	36,048	437,003	33,934	538,071	9,292	289,750	299,042	837,113	798,713	
Travel and Related Costs	78,782	511,006	214,790	54,630	859,208	86,946	226,384	313,330	1,172,538	1,053,118	
Depreciation and Amortization	10,842	256,668	34,616	7,332	309,458	29,815	26,201	56,016	365,474	406,031	
Office	36,203	271,020	80,274	10,557	398,054	23,847	17,309	41,156	439,210	424,119	
Telephone	6,234	104,556	10,225	5,262	126,277	9,684	18,776	28,460	154,737	168,635	
Corporate	10,393	44,275	18,816	9,778	83,262	19,120	24,871	43,991	127,253	165,914	
Grants	-	3,309	-	100,000	103,309	-	-	-	103,309	100,100	
Data Processing	68,014	19,253	4,410	1,585	93,262	10,267	27,937	38,204	131,466	111,333	
Shipping	6,198	4,976	3,113	7,897	22,184	3,333	29,708	33,041	55,225	39,205	
Provision for Doubtful Loans – Micro-credit	-	123,280	-	-	123,280	-	-	-	123,280	165,113	
Total expenses	\$ 1,128,290	\$ 10,075,206	\$ 3,185,222	\$ 894,873	\$ 15,283,591	\$ 1,830,255	\$ 1,937,864	\$ 3,768,119	\$ 19,051,710	\$ 17,490,236	

See Notes to Consolidated Financial Statements.

The Global Hunger Project and Affiliates

**Consolidated Statement of Cash Flows
Year Ended December 31, 2014
(With Comparative Totals for 2013)**

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (1,683,417)	\$ 86,871
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	(80,699)	(87,782)
Depreciation and amortization	365,474	406,031
Increase (decrease) in provision for doubtful accounts and discount to present value	37,055	(168,641)
Doubtful loans expense – microcredit	148,859	103,120
(Decrease) increase in provision for doubtful loans – microcredit	(25,579)	61,993
Increase in cash surrender value of life insurance	(55,818)	(54,829)
Unrealized and realized (gain) loss on investments	-	3,127
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	1,488,954	565,203
Other assets	(133,748)	(56,320)
Increase in accounts payable and accrued expenses	223,276	167,903
Net cash provided by operating activities	284,357	1,026,676
Cash Flows From Investing Activities		
Purchase of investments	(2,503,639)	(42,808)
Proceeds from sale and maturity of investments	3,435,502	708,098
Repayments of micro-credit loans, net	(176,743)	(24,683)
Purchase of property and equipment	(271,199)	(251,427)
Proceeds from sale of property and equipment	-	8,264
Net cash provided by investing activities	483,921	397,444
Net increase in cash and cash equivalents	768,278	1,424,120
Cash and Cash Equivalents		
Beginning	7,691,989	6,267,869
Ending	\$ 8,460,267	\$ 7,691,989

See Notes to Consolidated Financial Statements.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Global Hunger Project and Affiliates (THP) is a California not-for-profit, nonmember, public benefit corporation.

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 Millennium Development Goals (MDGs) and the development of the Sustainable Development Goals. The essential elements of THP's strategies include mobilizing village clusters for self-reliant action, empowering women as key change agents, and forging effective partnerships with local government.

Partner Countries: 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. The affiliated partners are not controlled by THP: 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 by THP. Among other activities, the affiliated partners raise funds, which, less their own expenses, are applied to THP programs.

Program Countries: The financial positions of affiliated Hunger Project entities that implement programs in the developing world (e.g., THP-Senegal, THP-Bangladesh, etc.) 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 in The Global Hunger Project Office. All affiliated Program Country Directors are citizens and residents of their respective countries. They have individual contractual agreements with and are compensated directly from THP's Global Office. The Program Country Directors' contracts can be cancelled for cause or otherwise at any time with proper notice. The affiliated Program Countries receive annual appropriations quarterly based on an operational program budget approved by THP.

A summary of THP's significant programs are as follows:

Education and Advocacy: Influencing policymakers to adopt key elements of THP's methodology and educating a worldwide constituency of committed individuals are high priorities of THP. During the year ended December 31, 2014, THP played a leadership role within civil society networks for food and nutrition security, water and sanitation, maternal and child health, halting gender-based violence, and local governance with a strong emphasis on gender equality and the empowerment of women in all these sectors.

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. Two key components of this integrated strategy are a Microfinance Program and an HIV/AIDS and Gender Inequality Workshop.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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

As of December 31, 2014, THP's Microfinance Program had nearly 78,000 active participants – with \$1.27 million in outstanding loans and \$561,000 in total savings. During the year, 15 additional rural banks were recognized, bringing the total number of government recognized rural banks throughout THP-Africa to 46.

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. Since 2000, more than 83,000 elected women leaders have been trained in THP's Women's Leadership Workshop 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 more than 270,000 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: The accompanying consolidated financial statements include the accounts of The Global Hunger Project and its Affiliates in the developing world that work within a common strategy, with funding largely from The Global Hunger Project, and led by Country Directors employed directly by The Global Hunger Project. All significant transactions between The Global Hunger Project and the Affiliates have been eliminated in consolidation.

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' Board of Directors. At December 31, 2014, board designated net assets, which are solely in the affiliated program country of India, in the amount of \$156,912, are for a reserve and may be used by approval of the Board of Directors of the India entity.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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

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, 2014.

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 for program countries total \$5,352,876 at December 31, 2014, and are included in cash and cash equivalents in 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 India bonds. 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 Countries at December 31, 2014, 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, 2014, was \$100,836.

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.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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

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, 2014.

Other assets held internationally in program countries total \$373,081 at December 31, 2014, and are included in other assets in 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.

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 \$502,589 for the year ended December 31, 2014. Financial statements of program countries activities are translated into U.S. dollars using period - end exchange rates for assets and liabilities, and average exchange rates for revenues 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 in 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.

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, 2014. 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 2011.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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

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. 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, 2013, from which the summarized information was derived.

Subsequent events: Subsequent events have been evaluated through July 9, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2. Receivables

Receivables at December 31, 2014, consist of the following:

Promises to Give	
United States	\$ 1,180,355
Affiliated Partner Countries	2,921,266
	<hr/>
	4,101,621
Less provision for doubtful promises	125,989
Less discount to present value	15,312
	<hr/>
Net promises to give	\$ 3,960,320
	<hr/> <hr/>

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, 2014, consist of the following:

Promises to give in less than one year	\$ 3,779,871
Promises to give in one to five years	321,750
	<hr/>
	\$ 4,101,621
	<hr/> <hr/>

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

Note 3. Micro-Credit Loans

Micro-credit loans at December 31, 2014, consist of the following:

Benin	\$ 431,399
Senegal	345,395
Burkina Faso	284,020
Ghana	234,995
Mozambique	77,170
	<u>1,372,979</u>
Less provision for doubtful loans	100,836
	<u>\$ 1,272,143</u>

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. All loans outstanding at December 31, 2014, are due within the next 12 months. Approximately \$100,000 of the total outstanding is past due at December 31, 2014.

Cash held by the microfinance programs totals \$1,460,210 at December 31, 2014, and is included in cash and cash equivalents in the accompanying consolidated balance sheet.

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, 2014, is as follows:

Balance at beginning of the year	\$ 126,415
Provision for loan losses	123,280
Loans written off	(41,528)
Revaluation	(107,331)
	<u>\$ 100,836</u>

Note 4. Investments

Investments at December 31, 2014, consist of the following:

Cash surrender value of life insurance policy	\$ 1,208,702
Money market	546,799
Certificates of deposit	480,239
India bonds	156,915
	<u>\$ 2,392,655</u>

Investment income for the year ended December 31, 2014, consists of the following:

Increase in cash surrender value of life insurance policy	\$ 55,818
Interest income	3,404
	<u>\$ 59,222</u>

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2014, and depreciation and amortization expense for the year ended December 31, 2014, consist of the following:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation and Amortization Expense
New York:					
Leasehold improvements	Lease term	\$ 792,927	\$ 552,585	\$ 240,342	\$ 80,390
Furniture and equipment	5 to 10 years	169,492	138,815	30,677	9,958
		962,419	691,400	271,019	90,348
Program countries –					
Furniture and equipment	3 to 10 years	2,546,426	1,611,881	934,545	275,126
		<u>\$ 3,508,845</u>	<u>\$ 2,303,281</u>	<u>\$ 1,205,564</u>	<u>\$ 365,474</u>

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted contributions which are only available for specific program activities or supporting services or designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2014, due to the expiration of time restrictions or the satisfaction of purpose restrictions.

Changes in temporarily restricted net assets during the year ended December 31, 2014, are as follows:

	Balance December 31, 2013	Additions	Released	Balance December 31, 2014
Time Restricted				
Promises to give	\$ 5,069,329	\$ 825,715	\$ (2,065,974)	\$ 3,829,070
Program Restricted				
Ghana	418,750	20,745	(308,245)	131,250
Bangladesh	87,924	790,567	(672,303)	206,188
India	86,463	665,064	(628,697)	122,830
Senegal	73,010	30,933	(58,190)	45,753
	<u>\$ 5,735,476</u>	<u>\$ 2,333,024</u>	<u>\$ (3,733,409)</u>	<u>\$ 4,335,091</u>

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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 \$446,863 at December 31, 2014, is reported as deferred rent in the accompanying consolidated balance sheet. Rent expense for the year ended December 31, 2014, was \$501,201.

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 \$20,000.

Future minimum lease payments at December 31, 2014, net of sublease income, are as follows:

Year Ending December 31,	Lease Commitment	Sublease Income	Net Lease Commitment
2015	\$ 582,900	\$ 243,000	\$ 339,900
2016	600,401	243,000	357,401
2017	516,308	172,125	344,183
2018	54,820	-	54,820
	<u>\$ 1,754,429</u>	<u>\$ 658,125</u>	<u>\$ 1,096,304</u>

Note 8. Retirement Plan

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, 2014, THP made contributions of \$43,745 to the Plan.

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 \$9,000 to the Savings Plan for the year ended December 31, 2014.

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, 2014, was \$2,122,473 and \$1,208,702, respectively.

The Global Hunger Project and Affiliates

Notes to Consolidated Financial Statements

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, 2014.

THP's money market funds totaling \$546,799 are publicly traded on the New York Stock Exchange and are considered Level 1 items. THP recognizes transfers between levels at the end of each year for both transfers in and out of the level classifications. As of December 31, 2013, the money market funds were excluded from Level 1, however, due to a change in policy application, the funds have been classified as a Level 1 item totaling \$796,651 at January 1, 2014.

The fair value of India bonds, in the amount of \$156,915 at December 31, 2014, is determined based on inputs other than quoted prices. This includes the use of models or other valuation methodologies, which are corroborated by other market data, in order to determine their fair value. As a result, the bonds are categorized as Level 2.

Certificates of deposits totaling \$480,239 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 \$1,208,702 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, 2014, contributions received from board members were \$342,500 and are included in the accompanying consolidated statement of activities. Promises to give from board members and THP executive staff were \$288,000 at December 31, 2014, and are included in the accompanying consolidated balance sheet.

Partner country revenue totaled \$8,958,900 for the year ended December 31, 2014, and is included in the accompanying consolidated statement of activities.