



LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

LeSEA Global Feed the Hungry, Inc. and Subsidiary

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Independent Auditor's Report

The Board of Directors
LeSEA Global Feed the Hungry, Inc. and Subsidiary
South Bend, Indiana

Opinion

We have audited the consolidated financial statements of LeSEA Global Feed the Hungry, Inc. and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

September 6, 2022

Consolidated Financial Statements

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,216,825	\$ 2,332,127
Short-term investments	5,679,724	2,103,612
Accounts receivable, net	449,336	369,337
Inventory	395,080	301,888
Other current assets	53,423	43,705
Total Current Assets	8,794,388	5,150,669
Property and Equipment	776,760	732,130
Less: accumulated depreciation	(615,845)	(594,867)
Net Property and Equipment	160,915	137,263
Total Assets	\$ 8,955,303	\$ 5,287,932
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 348,361	\$ 309,093
Accounts payable to related party	135,395	65,580
Accrued payroll and related withholdings	49,488	47,657
Split interest agreements	43,000	43,000
Notes payable	400,000	400,000
Total Current Liabilities	976,244	865,330
Net Assets Without Donor Restrictions	7,979,059	4,422,602
Total Liabilities and Net Assets Without Donor Restrictions	\$ 8,955,303	\$ 5,287,932

See accompanying notes to consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Statements of Activities

<i>Year ended December 31,</i>	2021	2020
Public Support and Revenue		
Public support:		
Contributions	\$ 7,469,837	\$ 5,712,482
Contributions and other revenue from affiliates	1,553,908	1,046,119
Contributions from related party	158,646	105,938
In-kind contributions - food	35,515,713	36,915,850
In-kind contributions - services	-	5,792
Total Public Support	44,698,104	43,786,181
Revenue:		
Sales	-	25,657
Investment income, net	696,105	247,338
Miscellaneous revenue	1,750	2,445
Total Revenue	697,855	275,440
Total Public Support and Revenue	45,395,959	44,061,621
Expenses		
Program services:		
Feed the Hungry	39,701,968	39,962,737
FTH Logistics	17,237	8,437
Support services:		
General and administrative	165,300	177,671
Fundraising	1,954,997	1,278,503
Total Expenses	41,839,502	41,427,348
Increase in Net Assets Without Donor Restrictions	3,556,457	2,634,273
Net Assets Without Donor Restrictions, beginning of year	4,422,602	1,788,329
Net Assets Without Donor Restrictions, end of year	\$ 7,979,059	\$ 4,422,602

See accompanying notes to consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year ended December 31, 2021

	Program Services		Support Services		Total
	Feed the Hungry	FTH Logistics	General and Administrative	Fundraising	
Gift-in-kind and purchased food	\$ 35,665,167	\$ -	\$ -	\$ -	\$ 35,665,167
Shipping	1,482,189	-	-	-	1,482,189
Personnel costs	462,842	-	99,710	575,430	1,137,982
Services	397,106	396	57,673	443,325	898,500
Missions and outreach	507,771	-	-	-	507,771
Postage and mailings	554,105	-	2,079	889,815	1,445,999
Building costs	308,402	-	-	-	308,402
International purchased goods	129,718	-	-	-	129,718
Travel	23,173	-	933	27,349	51,455
Fees and bank charges	95,317	731	826	3,760	100,634
Utilities and phone	17,951	-	2,847	2,848	23,646
Supplies	9,999	-	566	6,141	16,706
Repairs and maintenance	16,898	-	17	5,681	22,596
Depreciation	25,778	3,900	-	-	29,678
Advertising and promotion	-	-	649	648	1,297
Income tax expense	-	12,000	-	-	12,000
Other	5,552	210	-	-	5,762
Total Expenses	\$ 39,701,968	\$ 17,237	\$ 165,300	\$ 1,954,997	\$ 41,839,502

See accompanying notes to consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year ended December 31, 2020

	Program Services		Support Services		Total
	Feed the Hungry	FTH Logistics	General and Administrative	Fundraising	
Gift-in-kind and purchased food	\$ 37,140,044	\$ -	\$ -	\$ -	\$ 37,140,044
Shipping	821,807	574	-	225	822,606
Personnel costs	475,589	430	112,335	559,003	1,147,357
Services	258,593	1,590	60,684	288,156	609,023
Missions and outreach	475,040	-	-	-	475,040
Postage and mailings	316,040	-	98	408,464	724,602
Building costs	187,648	-	-	-	187,648
International purchased goods	106,368	-	-	-	106,368
Travel	26,799	-	425	7,972	35,196
Fees and bank charges	71,913	1,943	826	4,725	79,407
Utilities and phone	10,703	-	3,031	3,032	16,766
Supplies	12,595	-	193	4,554	17,342
Repairs and maintenance	14,001	-	79	1,972	16,052
Depreciation	18,985	3,900	-	-	22,885
Advertising and promotion	1,002	-	-	400	1,402
Other	25,610	-	-	-	25,610
Total Expenses	\$ 39,962,737	\$ 8,437	\$ 177,671	\$ 1,278,503	\$ 41,427,348

See accompanying notes to consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	2021	2020
Cash Flows from Operating Activities		
Increase in net assets without donor restriction	\$ 3,556,457	\$ 2,634,273
Adjustments to reconcile increase in net assets without donor restriction to net cash provided by operating activities:		
Loss on sale of assets	-	1,512
Depreciation	29,678	22,885
Gifts-in-kind (added to) used from inventory	(93,192)	134,034
Gifts-in-kind (added to) used from investments	(18,226)	-
Net gains on investments	(663,865)	(214,401)
Adjustments for changes in operating assets and liabilities:		
Accounts receivable, net	(79,999)	(296,044)
Other current assets	(9,718)	(3,804)
Accounts payable	39,268	142,482
Accounts payable related party	69,815	(27,551)
Accrued payroll and related withholdings	1,831	(29,259)
Split interest agreements	-	(100,000)
Net Cash Provided by Operating Activities	2,832,049	2,264,127
Cash Flows from Investing Activities		
Purchase of property and equipment	(53,330)	(78,395)
Proceeds from sale of investments	1,958,792	884,244
Purchase of investments	(4,852,813)	(1,870,588)
Net Cash Used in Investing Activities	(2,947,351)	(1,064,739)
Cash Flows from Financing Activities		
Issuance of notes payable	-	211,500
Principal payments on debt	-	(211,500)
Net Cash Provided by (Used in) Financing Activities	-	-
Increase (Decrease) in Cash and Cash Equivalents	(115,302)	1,199,388
Cash and Cash Equivalents, beginning of year	2,332,127	1,132,739
Cash and Cash Equivalents, end of year	\$ 2,216,825	\$ 2,332,127

See accompanying notes to consolidated financial statements.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Nature of Business and Summary of Accounting Policies

LeSEA Global Feed the Hungry, Inc. (the Organization) is located in South Bend, Indiana and is incorporated under the laws of the state of Indiana as a not-for-profit corporation. The primary objective and mission since Dr. Lester Sumrall started the Organization has been a clear focus on bringing help by distributing food and relief supplies to those in need due to poverty, famine, drought, flood, war, or other natural disaster. Food and relief supplies have been distributed throughout the world through the Pastor-to-Pastor and Church-to-Church programs. Each distribution of food and supplies also provides an opportunity to touch the spirit and soul of those in need through prayer, encouragement, and sharing the Gospel of Jesus Christ.

The Organization established FTH Logistics, Inc., a for-profit entity assisting the Organization with its initiatives to ship food and relief supplies across the world.

Principles of Consolidation

The consolidated financial statements include the accounts of LeSEA Global Feed the Hungry, Inc. and its Subsidiary, FTH Logistics, Inc., which was formed to provide transportation logistics services related to the Organization's mission. FTH Logistics, Inc. was dissolved in 2021. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash on deposit with financial institutions. The Organization has deposits with financial institutions that periodically exceed FDIC insurance limits. No losses have been incurred or are expected on these funds.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. At December 31, 2021 and 2020 there was no allowance for doubtful accounts recorded. Factors considered in determining collectability include customers' past collection history, an aged analysis of receivables, and economic conditions, as well as the financial health of its customers. The Organization does not normally charge interest on past due accounts.

Inventory

Inventory consists of donated goods, including food, office supplies, and other items. Inventories are stated at the lower of cost or net realizable value. Cost is estimated based on fair value at the time of donation for donated goods and is determined using the first-in, first-out method.

Investments

Investments are reported at fair value based on quoted market prices. Gains or losses on the sale of long-term investments are recognized as realized and are computed based on the difference between proceeds received and the adjusted basis of specific securities sold. The Organization's financial position is adjusted to reflect unrealized appreciation or depreciation of investments in the year it occurs and is recorded in the consolidated statements of activities.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Property and Equipment

Property and equipment are stated at cost, or if contributed, at the approximate fair value at the date of the contribution. Such contributions are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed over the estimated useful lives of the assets ranging from three to 40 years using the straight-line method.

The Organization records impairment of property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the years ended December 31, 2021 or 2020.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions as of December 31, 2021 or 2020.

Contributions

The Organization receives donated food and supplies (in-kind contributions) from various donors. The Organization records the value of in-kind contributions as revenue for the programs or activities benefited at their estimated fair values, based on current market values of similar items, at the date of receipt. Expense is recognized when inventory is shipped to a recipient. For 2021 and 2020, in-kind contributions of food and supplies totaled \$35,515,713 and \$36,915,850, respectively, and in-kind expense was \$35,422,522 and \$37,049,884, respectively.

Contributed Services

The Organization received contributed in-kind services, primarily for freight. Such services in the amounts of \$0 and \$5,792 were contributed during 2021 and 2020, respectively, by third parties.

Advertising Expenses

Various costs relating to advertising are considered period costs and are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$1,297 and \$1,402, respectively.

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Notes to Consolidated Financial Statements

Allocation of Expenses and Joint Costs

The program activities and supporting services of the Organization have certain expenses that have been allocated among the programs and supporting services benefited.

The Organization conducts activities that include requests for contributions, as well as program components. These activities include direct mail letters, television time, newsletters, brochures, and other such items. The costs of conducting these activities are not specifically attributable to particular components of the activities (joint costs). Material costs and television time are allocated to fundraising based on the actual percentage of the item or time of the event used for fundraising. Personnel costs are allocated based on estimates of the percent of annual time worked on the aforementioned activities and publications. Total joint costs for the years ended December 31, 2021 and 2020 were \$2,140,051 and \$1,097,370, respectively, of which \$815,651 and \$433,282, respectively, were allocated to program and \$1,324,399 and \$664,088, respectively, were allocated to fundraising.

Income Taxes

The Organization is a not-for-profit organization exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions. The Organization is subject to taxes on the business income, when incurred, from FTH Logistics, Inc., which was dissolved in 2021. During 2021, \$12,000 of taxes were incurred on unrelated business income. During 2020, there were no taxes on unrelated business income or on the for-profit entity because all applicable activities produced a taxable loss. The Organization's information returns are open for examination for a period of three years from the date filed.

Fair Value Measurements

Accounting principles generally accepted in the United States of America (U.S. GAAP) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

The price of the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are: (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

In determining fair value, the Organization uses various valuation approaches. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that are based on the reporting entity's estimates of a market participant's inputs. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - This level consists of valuations based on quoted prices in active markets for identical assets that the Organization has the ability to assess. Since valuations are based on quoted prices

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Notes to Consolidated Financial Statements

that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - This level consists of valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 - This level consists of valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The Organization uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below:

Mutual Funds - Mutual funds represent investments with various investment managers. The fair value of these investments is determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization's management has evaluated the period from January 1, 2022 through September 6, 2022, the date the consolidated financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the consolidated financial statements. During the period, there were no recognizable subsequent events identified.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Notes to Consolidated Financial Statements

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

<i>December 31,</i>	2021	2020
Cash and cash equivalents	\$ 2,216,825	\$ 2,332,127
Short-term investments	5,679,724	2,103,612
Accounts receivable, net	449,336	369,337
	\$ 8,345,885	\$ 4,805,076

As part of the Organization's liquidity management, cash in excess of daily requirements is invested in short-term investments.

3. Property and Equipment

Property and equipment includes the following:

<i>December 31,</i>	2021	2020
Land and land improvements	\$ 48,660	\$ 6,670
Buildings and improvements	522,975	511,635
Equipment	176,925	185,625
Vehicles	28,200	28,200
	776,760	732,130
Less: accumulated depreciation	615,845	594,867
Net Property and Equipment	\$ 160,915	\$ 137,263

Depreciation expense for the years ended December 31, 2021 and 2020 was \$29,678 and \$22,885, respectively.

4. Investments

Investments are at fair value and consist of mutual funds in the amount of \$5,679,724 and \$2,103,612 at December 31, 2021 and 2020, respectively.

Net gain from investment transactions includes unrealized appreciation and depreciation of \$333,239 and \$203,945 in 2021 and 2020, respectively. Sales of investments resulted in net realized gains of \$330,626 and \$10,456 in 2021 and 2020, respectively.

LeSEA Global Feed the Hungry, Inc. and Subsidiary

Notes to Consolidated Financial Statements

5. Fair Value Measurements

Investments are carried at fair value. The aggregate carrying value of investments, exclusive of cash equivalents, is summarized as follows:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,679,724	\$ -	\$ -	\$ 5,679,724

December 31, 2020

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,103,612	\$ -	\$ -	\$ 2,103,612

As of December 31, 2021 and 2020, the Organization had no assets classified within Level 2 or 3.

6. Related-Party Activity

The Organization shares certain accounting and operational functions with Family Broadcasting Corporation (Broadcasting) and LeSEA, Inc. Each organization has a separate board and executive management. The Organization purchased approximately \$79,000 and \$93,000 of accounting and administrative services from Broadcasting during 2021 and 2020, respectively.

The Organization had an outstanding payable to Broadcasting for \$78,786 and \$36,113 as of December 31, 2021 and 2020, respectively. During 2021 and 2020, Broadcasting elected to contribute a portion of the unpaid balance of purchased accounting and administrative services to the Organization. Contribution revenue of \$152,646 and \$87,938 was recognized during 2021 and 2020, respectively.

The Organization had an outstanding payable to LeSEA, Inc. for \$56,609 and \$29,467 as of December 31, 2021 and 2020, respectively. LeSEA, Inc. represents the Christian Center Church, which is the local church outreach to the communities of South Bend and Mishawaka, Indiana. LeSEA, Inc. provided donations of \$6,000 and \$18,000 to the Organization during 2021 and 2020, respectively.

7. Split Interest Agreements

Split interest agreements represent liabilities related to life loans, which are revocable. Split interest agreements are amounts held on behalf of donors and managed by the Organization. Donors receive the interest earned on the investments up to 6%. Upon the death of the donors, the funds become the property of the Organization. The liability of life loans totaled \$43,000 at December 31, 2021 and 2020, and represents the principal amount that may be withdrawn with 90-days' notice. Funds retained to cover payments to beneficiaries are included in the Organization's investments.

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Notes to Consolidated Financial Statements

8. Notes Payable

In 2019, the Organization entered into two separate note agreements with an individual. Both notes are demand notes due and payable on the earlier of 30 days after written demand by the holder, or upon the death of the holder.

The first note has a principal amount of \$250,000 and is non-interest bearing without scheduled principal repayments. The note qualifies for exemption from federal and state income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, as the Organization is a nonprofit public benefit corporation.

The second note has a principal amount of \$150,000 without scheduled principal payments and accrues interest at a blended interest rate of 0.13% based on the Internal Revenue Code's "applicable federal rate" during 2021. Interest accrued on the note shall be paid on or before December 31 of each calendar year.

9. Affiliated Entities

The Organization has established a network of international affiliated entities to assist with distributing necessities to people in need throughout the world. During 2021 and 2020, the Organization received approximately \$1,554,000 and \$1,046,000, respectively, in contributions from these affiliates and paid approximately \$508,000 and \$475,000, respectively, to assist affiliate organizations. All expenses incurred by the Organization on behalf of these affiliates have been recognized as program services in the consolidated statements of functional expenses.