

Orphan Grain Train, Inc.
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended May 31, 2018

With Comparative Totals for the Year Ended May 31, 2017



ORPHAN GRAIN TRAIN, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orphan Grain Train, Inc.
Norfolk, NE

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Orphan Grain Train, Inc. (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of May 31, 2018 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 auditors' 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 Orphan Grain Train, Inc. and affiliates as of May 31, 2018 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 Orphan Grain Train, Inc.'s 2017's consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses on pages 15 and 16 and supplemental schedules of activities and financial position--OGT Logistics, LLC on pages 17 and 18 and supplemental schedules of activities and financial position--Hope for the Starving, LLC on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McMill CPA PC

McMill CPA PC
Certified Public Accountants

August 10, 2018

Orphan Grain Train, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ending May 31, 2018
With comparative totals for 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017</u>
Support, revenues, and gains (losses):					
Public support-cash contributions	\$ 3,073,254	\$ 1,494,334	\$ 32,500	\$ 4,600,088	\$ 4,427,338
Public support--stock & mutual fund contributions	48,685	-	-	48,685	-
Donated property and equipment	33,724	-	-	33,724	5,000
Gifts-in-kind	46,628,679	-	-	46,628,679	38,604,084
Public support-fish feed/new initiatives	62,872	-	-	62,872	63,670
Special events income	57,832	-	-	57,832	26,731
Convention income	31,532	-	-	31,532	3,470
Hope for the Starving Income	39,450	-	-	39,450	64,558
Other miscellaneous income	13,437	-	-	13,437	9,459
Gain (loss) on sale of assets	17,225	-	-	17,225	13,101
Investment income (loss)	(1,100)	-	-	(1,100)	1,220
Interest income	18,797	-	-	18,797	16,235
Transfer to or from	555	-	-	555	-
Net assets released from restrictions	1,446,891	(1,446,891)	-	-	-
Total Support, revenue, and gains (losses)	<u>51,471,833</u>	<u>47,443</u>	<u>32,500</u>	<u>51,551,776</u>	<u>43,234,866</u>
Expenses:					
Program services					
Humanitarian aid & disaster relief	48,650,280	-	-	48,650,280	40,300,723
Management & general expenses	513,375	-	-	513,375	436,194
Fundraising expenses	399,567	-	-	399,567	301,244
Total Operating Expenses	<u>49,563,222</u>	<u>-</u>	<u>-</u>	<u>49,563,222</u>	<u>41,038,161</u>
Change before inventory adjustment	1,908,611	47,443	32,500	1,988,554	2,196,705
Inventory value adjustment	45,494	-	-	45,494	2,190,930
Change in net assets	1,954,105	47,443	32,500	2,034,048	4,387,635
Net assets, beginning of year	<u>19,147,355</u>	<u>938,379</u>	<u>20,000</u>	<u>20,105,734</u>	<u>15,718,099</u>
Net assets, end of year	<u>\$ 21,101,460</u>	<u>\$ 985,822</u>	<u>\$ 52,500</u>	<u>\$ 22,139,782</u>	<u>\$ 20,105,734</u>

See accompanying notes to the financial statements.

Orphan Grain Train, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ending May 31, 2018
With comparative totals for 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,034,048	\$ 4,387,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	228,655	177,177
Noncash contributions of property & equipment	(33,724)	-
(Gain) loss on disposal of assets	(17,225)	(13,101)
Net change in investments	(48,432)	(1,457)
New endowment funds received	(32,500)	-
(Increase) decrease in assets:		
Accounts receivable	6,174	(22,367)
Inventory	(1,361,723)	(3,144,793)
Increase (decrease) in liabilities:		
Accounts payable	(1,169)	(1,990)
Accrued expenses	716	2,772
Total cash provided by operating activities	774,820	1,383,876
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(289,091)	(1,149,080)
Proceeds from sale of fixed assets	17,225	13,101
Total cash provided (used) by investing activities	(271,866)	(1,135,979)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from nonrevolving line of credit	-	50,000
Principal payments on line of credit	-	(50,000)
Total cash provided (used) by financing activities	-	-
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	502,954	247,897
Cash & cash equivalents, beginning of year	4,905,732	4,657,835
CASH & CASH EQUIVALENTS, end of year	\$ 5,408,686	\$ 4,905,732
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ -
NONCASH TRANSACTIONS		
Noncash contributions of property, equipment, & stocks	\$ 82,409	\$ -

See accompanying notes to the financial statements.

Orphan Grain Train, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2018
With comparative totals for 2017

	2018	2017
ASSETS		
Assets		
Cash & cash equivalents	\$ 5,408,686	\$ 4,905,732
Accounts receivable--other	27,392	33,566
Inventory	12,220,077	10,858,351
Investment account	54,471	6,039
Endowment cash and cash equivalents	52,500	20,000
Property and Equipment, net	4,391,394	4,297,234
Total Assets	\$ 22,154,520	\$ 20,120,922
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 8,375	\$ 9,541
Accrued payroll benefits and taxes	6,363	5,647
Total Liabilities	14,738	15,188
Net Assets		
Unrestricted	21,101,460	19,147,355
Temporarily restricted	985,822	938,379
Permanently restricted	52,500	20,000
Total Net Assets	22,139,782	20,105,734
Total Liabilities And Net Assets	\$ 22,154,520	\$ 20,120,922

See accompanying notes to the financial statements.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Orphan Grain Train, Inc., a nonprofit organization, began operations in May 1992. Orphan Grain Train, Inc. provides humanitarian aid and disaster relief to those in need in the United States and other countries around the world. The Organization receives donations of food, clothing, medical supplies and equipment, Christian literature and cash contributions from the general public and transports these items to partner organizations in the United States and around the world for people in need.

Orphan Grain Train, Inc. has separate branches and collection centers, throughout the United States, that are organized under one board and Orphan Grain Train, Inc.'s name. Headquarters is located in Norfolk, Nebraska and the branches are located in Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Maryland, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Pennsylvania, and Wisconsin. Collection centers are located in California, Colorado, Kansas, Missouri, Minnesota, Nebraska, New York, Ohio, South Dakota and Texas.

Consolidation

The accompanying consolidated financial statements include the accounts Orphan Grain Train, Inc. and its wholly-owned subsidiaries, OGT Logistics, LLC and Hope for the Starving, LLC. All significant intercompany accounts have been eliminated in consolidation. Revenues attributed to Orphan Grain Train, Inc. were \$831,204 for OGT Logistics, LLC, including \$824,122 that was eliminated in consolidation which was 1.6% of total revenues and \$252,090 for Hope for the Starving, LLC which was 0.5% of total revenues for a respective total of \$1,083,294 and 2.1%.

Basis of Accounting

The consolidated financial statements of Orphan Grain Train, Inc. have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Basis of Presentation

Orphan Grain Train, Inc. reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. If there is a question as to which fund should be used, Orphan Grain Train, Inc. calls the donor to verify.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions (cont'd)

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on these assets.

Gifts-in-Kind Donations

Orphan Grain Train, Inc. records noncash donations used towards the program of providing relief as revenues when received and expenses when shipped. The valuation method is based on a method of average value per pound or per box and item set by the Board of Directors.

Property and Equipment and Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Equipment expenditures greater than \$1,500 are capitalized. The basis of valuation for purchased depreciable assets is at cost and donated depreciable assets are at fair value at the time of donation.

The Organization utilized a warehouse rent-free at the Minnesota branch. Gifts-in-kind rent of \$5,725 has been recorded for the use of the warehouse for the fiscal year ended May 31, 2018.

Donated Services

The total value of non-professional services for the year ended May 31, 2018 was \$978,273 based on a \$9 per hour wage rate. Non-professional services were not recorded on the books in accordance with generally accepted accounting principles.

Risks and Uncertainties

Sources of revenue - The Organization receives donations from the general public in order to raise funds for operating costs.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Pervasiveness of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the year ending May 31, 2018 was \$89,169.

Concentration in Shipping

The Organization primarily uses OGT Logistics, LLC, a wholly-owned subsidiary to ship products domestic and worldwide. These shipments are at a reduced rate from fair value.

Inventory

Inventory consists primarily of donated items on hand to be later transported to partner organizations in the United States and around the world for people in need. The valuation method is based on a method of average value per unit set by the Board of Directors based on research for corresponding Goodwill, Salvation Army and other values.

Income Tax Status

The Organization qualifies as a tax-exempt organization, other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal income taxes.

The Organization files required income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2015. The Organization has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Organization believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

Fair Value of Consolidated Financial Statements

The carrying amounts of cash and cash equivalents and endowment cash and cash equivalents are reasonable estimates of their fair values. Fair values for investments are based on quoted market prices.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Comparative Information

The Organization's financial statements include certain prior year comparative and summarized information. 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 the Organization's financial statements for the year ended May 31, 2017, from which the summarized information was derived.

Subsequent Events

In the normal course of preparing the Organization's consolidated financial statements, management reviews events that occur after the consolidated statement of financial position date (May 31, 2018) for potential recognition or disclosure in the consolidated financial statements. Management has evaluated subsequent events through August 10, 2018, which is the date the consolidated financial statements were available to be issued.

NOTE B – CASH & CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments.

At May 31, 2018, Orphan Grain Train, Inc. had bank deposits of \$5,590,758 in various financial institutions which were partially covered by FDIC insurance, pledged bonds, or held in ICS accounts. The ICS deposits were held by a custodian in various FDIC insured institutions and covered by FDIC insurance. At May 31, 2018, of the total bank deposits, \$1,405,561 was not secured, due to coverage of certificates of deposit under CDARS expiring during the fiscal year and not renewed.

See Note J for restrictions on cash and cash equivalents.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE C – INVESTMENTS

Investments are stated at fair value and unrealized gains and losses are reflected in the Consolidated Statement of Activities. Fair value is determined by market quotes. The following table discloses fair value, cost and total amount of unrealized gain (loss) for the fiscal year ended May 31:

	<u>2018</u>
Fair value, end of year	\$ 54,471
Estimated cost	<u>54,762</u>
Accumulated gain (loss)	<u>\$ (291)</u>
Unrealized gain (loss) for 2018	<u>\$ (2,749)</u>

Fair Value Measurement

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820-10-35, "Fair Value Measurement". FASB ASC 820-10-35 established a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: quoted prices in active markets for identical investments.
- Level 2: other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.) Certificates of deposit are valued at cost, which approximates fair value.
- Level 3: significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of May 31, 2018 in valuing the Organization's certificates of deposit and investments:

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE C – INVESTMENTS (cont'd)

	Level 1	Level 2	Level 3	Total
May 31, 2018				
Certificates of Deposit	\$ -	\$ 2,042,587	\$ -	\$ 2,042,587
Investments:				
U.S. Equity	36,701	-	-	36,701
Other Equities	3,626	-	-	3,626
Bonds	558	-	-	558
Cash & Other	13,586	-	-	13,586
Total	\$ 54,471	\$ 2,042,587	\$ -	\$ 2,097,058

NOTE D – ACCOUNTS RECEIVABLE

Other accounts receivables consist of amounts due Hope for the Starving LLC for food and packaging materials sold to Mercy Meals not-for-profit organizations and other miscellaneous items due to Orphan Grain Train, Inc. At May 31, 2018 the amount of receivables due over 90 days was \$3,334.

The amount of accounts receivable expected by management to be uncollectible is insignificant; therefore, Orphan Grain Train, Inc. does not maintain an allowance for doubtful accounts. The direct write-off method is used for uncollectible amounts.

NOTE E – PROPERTY AND EQUIPMENT

At May 31, 2018 property and equipment consisted of the following:

	2018
Land	\$ 108,187
Buildings	4,373,904
Warehouse equipment	113,378
Bedroom and kitchen trailers	161,896
Domestic disaster fixed assets	496,069
Heavy trucks and trailers	400,222
Vehicles, light trucks and trailers	328,723
Equipment - office and program	202,548
	6,184,927
Less accumulated depreciation	(1,793,533)
Net property and equipment	\$ 4,391,394

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE E – PROPERTY AND EQUIPMENT (cont'd)

In a previous fiscal year, Orphan Grain Train, Inc. received a donated building valued at \$150,000 that is included in the value of buildings above. The donors put a quit claim deed on the property that states that if Orphan Grain Train, Inc. discontinues functioning at the site, the property will go to Emanuel Lutheran Church in South Dakota.

The organization had no capitalized interest in the current year.

NOTE F – ACCRUED VACATION AND SICK PAY

The cost of accrued vacation and sick pay are recorded when disbursed and not accrued. These are not expected to exceed a normal year's accumulation.

NOTE G – 403(b) RETIREMENT PLAN

Orphan Grain Train, Inc. has a 403(b) retirement plan with Thrivent. The only eligibility requirement is that the employee must be on Orphan Grain Train, Inc.'s payroll. Orphan Grain Train, Inc. contributes \$25 each semi-monthly pay period for each employee into the 403(b) plan. The employees can also contribute additional funds out of their paycheck up to a maximum contribution. For the year ended May 31, 2018 Orphan Grain Train, Inc. paid \$6,000 to the employees.

NOTE H – LEASES

In March of 2014, Orphan Grain Train, Inc. entered into an interest-free, 60-month non-cancelable lease agreement with Marco, Inc. for the rental of a copier expiring in March of 2019. Monthly payments are \$492 with added \$10 service charges each month for a total of \$502. Recorded rent expense for the year ended May 31, 2018 was \$6,244. Minimum rentals on an annual basis are as follows:

Long-Term Annual Lease Payments

FY 2019	<u>\$ 5,018</u>
Total:	<u>\$ 5,018</u>

The Organization also pays rent for various facilities. The rents are paid on a month-to-month basis and amounted to \$19,102 for the year ended May 31, 2018.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE I – INVENTORY VALUE ADJUSTMENT

It is the policy of Orphan Grain Train, Inc. to update their inventory values every other year based on new research for corresponding Goodwill, Salvation Army and other values. Based on this policy, inventory values were not changed during the fiscal year ending May 31, 2018 but there were minor changes in some of the food values which resulted in an increase in the value of the inventory shipped of \$45,494.

NOTE J – RESTRICTIONS IN NET ASSETS

Substantially all of the restrictions in net assets as of May 31, 2018, are related to funds received for humanitarian aid or other needs of the association.

Temporarily restricted net assets as of May 31, 2018, totaled \$985,822. The entire amount of temporarily restricted net assets as of May 31, 2018 was available for relief and assistance domestically and internationally.

Permanently restricted net assets consist of \$20,000 in an endowment certificate of deposit that earns interest which is temporarily restricted for assistance with the Adopt an Orphanage program. Permanently restricted net assets also include \$32,500 of contributions to be endowed with the interest being temporarily restricted for the Adopt an Orphanage program.

NOTE K – ENDOWMENT FUNDS

The Organization's endowment consists of two individual funds established for the Adopt an Orphanage program. Its endowment includes only donor restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE K – ENDOWMENT FUNDS (cont'd)

The Organization has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described by NUPMIFA. In accordance with NUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2018

		Permanently Restricted
Endowment net assets, beginning of year	\$	20,000
Contributions		32,500
Endowment net assets, end of year	\$	52,500

Investment Return Objectives, Risk Parameters and Strategies. Endowment assets will be invested in 75% stocks and 25% bonds with income, up to 5%, benefiting Orphan Grain Train, Inc. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization may appropriate income from the endowment of up to 5% for the benefit of the Organization.

Orphan Grain Train, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2018

NOTE L – SHIPPING COSTS

Shipping costs of \$212,410 are included in program costs on the statement of activities.

NOTE M – RELATED PARTY TRANSACTIONS

A board member has ownership in a mobile storage company, farm operation, and trucking company that the Organization did business with. The total amount paid to these companies for the year ended May 31, 2018 was \$46,320.

The chairman of the board is part owner of an implement dealer and for the year ended May 31, 2018, the Organization purchased a piece of equipment from that implement dealer for \$47,530.

The Organization has a bank account set up under a board member's name to use to wire funds to Russia and the Baltic States for the support of the orphanages, prisons and hospitals. The account is set up in the board member's name because wires from a corporation could cause the people receiving the funds to be declared "foreign agents" and place them in danger. Prior to sending a wire, funds for the amount of the wire are transferred from the Organization into this bank account and then wired to Russia or the Baltic States. In between wires, there is only a balance of \$50 kept in this bank account.

The Organization receives generous contributions from various board members throughout the year. These donations are generally in the form of cash.

SUPPLEMENTARY INFORMATION

Orphan Grain Train, Inc.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ending May 31, 2018
With comparative totals for 2017

	Humanitarian Aid & Disaster Relief	Management & General	Fundraising	2018 Total	2017 Total
Relief & assistance-clothes	\$ 32,451,868	\$ -	\$ -	\$ 32,451,868	\$ 30,251,988
Relief & assistance-medical supplies	1,289,502	-	-	1,289,502	2,170,543
Relief & assistance-medical equipment	683,725	-	-	683,725	632,778
Relief & assistance-food	8,910,012	-	-	8,910,012	2,285,817
Relief & assistance-freight & shipping	788,236	-	-	788,236	716,197
Relief & assistance-miscellaneous	536,007	-	-	536,007	347,001
Relief & assistance-transportation	-	-	-	-	4,998
Relief & assistance-disaster	347,597	-	-	347,597	154,204
Relief & assistance-household	1,329,549	-	-	1,329,549	1,637,324
Relief & assistance-school	404,844	-	-	404,844	418,057
Support missionaries	353,074	-	140	353,214	406,088
Subtotal relief & assistance	<u>47,094,414</u>	<u>-</u>	<u>140</u>	<u>47,094,554</u>	<u>39,024,995</u>

Orphan Grain Train, Inc.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ending May 31, 2018
With comparative totals for 2017

	Humanitarian Aid & Disaster Relief	Management & General	Fundraising	2018 Total	2017 Total
Advertising & promotional	3,899	637	84,633	89,169	53,477
Bank charges	1,413	73	-	1,486	623
Contract services	35,895	18,709	22,355	76,959	62,747
Convention expense	3,178	-	40,411	43,589	12,540
Depreciation	228,349	306	-	228,655	177,177
Dues, subscriptions & licenses	13,873	452	1,356	15,681	9,368
Employee benefits	50,652	147,926	54,787	253,365	228,499
Expenses for fundraiser	2,776	-	30,550	33,326	42,930
Gas & fuel	95,238	818	-	96,056	45,373
Insurance general	130,831	3,317	(3,192)	130,956	96,214
Meetings & conferences	12,575	288	1,164	14,027	7,106
Miscellaneous expense	22,623	126	-	22,749	21,020
Office supplies	11,639	7,576	1,141	20,356	17,993
Payroll taxes	14,148	11,966	2,128	28,242	22,477
Postage	5,284	1,152	29,247	35,683	28,061
Professional services	21,645	453	217	22,315	24,882
Repair & maintenance	302,887	36,936	38	339,861	360,572
Rent	26,850	17	-	26,867	59,613
Salaries and wages	178,856	247,099	121,292	547,247	475,210
Special events expense	9,950	173	4,697	14,820	15,018
Supplies	72,945	3,450	1,745	78,140	52,094
Taxes	4,135	1,063	-	5,198	(1,318)
Telephone	7,593	6,441	82	14,116	10,136
Travel	36,310	7,394	6,776	50,480	34,827
Transportation	211,521	889	-	212,410	100,856
Utilities	50,801	16,114	-	66,915	55,671
Subtotal other expenses	<u>1,555,866</u>	<u>513,375</u>	<u>399,427</u>	<u>2,468,668</u>	<u>2,013,166</u>
Total expenses	<u>\$ 48,650,280</u>	<u>\$ 513,375</u>	<u>\$ 399,567</u>	<u>\$ 49,563,222</u>	<u>\$ 41,038,161</u>

Orphan Grain Train, Inc.
SUPPLEMENTAL SCHEDULE OF ACTIVITIES--OGT LOGISTICS, LLC
For the Year Ending May 31, 2018
With comparative totals for 2017

	<u>2018</u>	<u>2017</u>
Support and revenues:		
Inside Trip Income	\$ 824,122	\$ 460,357
Outside Trip Income	7,082	750
Total Support and Revenue	<u>831,204</u>	<u>461,107</u>
Expenses:		
Advertising & promotional	-	244
Contract services	2,397	4,129
Depreciation	35,948	24,518
Dues, subscriptions & licenses	8,032	6,587
Gas & fuel	96,056	45,373
Insurance general	64,398	28,587
Meetings & conferences	304	306
Miscellaneous expense	5,695	6,335
Office supplies	3,447	2,878
Professional services	1,738	1,071
Repair & maintenance	202,876	169,377
Rent	2,040	800
Payroll & payroll taxes	125,885	74,535
Supplies	9,883	-
Taxes	1,431	1,455
Telephone	1,750	272
Travel	10,844	3,298
Transportation	149,193	33,728
Utilities	1,170	444
Total Operating Expenses	<u>723,087</u>	<u>403,937</u>
Net operating income (loss)	108,117	57,170
Other Increase (Decrease) in Net Assets		
Gain (loss) on sale of assets	-	9,101
Other miscellaneous income	400	320
Transfer (to) from OGT	33,773	-
Total other increase (decrease) in net assets	<u>34,173</u>	<u>9,421</u>
Increase (Decrease) in Net Assets	<u>\$ 142,290</u>	<u>\$ 66,591</u>

Orphan Grain Train, Inc.
SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION--OGT LOGISTICS, LLC
May 31, 2018
With comparative totals for 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Assets		
Cash & cash equivalents	\$ 187,106	\$ 96,894
Intercompany Receivable--OGT	-	-
Equipment	389,664	223,765
Accumulated Depreciation	<u>(246,671)</u>	<u>(132,357)</u>
Total Assets	<u>\$ 330,099</u>	<u>\$ 188,302</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 8,125	\$ 9,544
Accrued payroll benefits and taxes	<u>4,738</u>	<u>3,812</u>
Total Liabilities	12,863	13,356
Net Assets		
Unrestricted, beginning of year	174,946	108,355
Increase (decrease) in net assets	<u>142,290</u>	<u>66,591</u>
Total Net Assets	<u>317,236</u>	<u>174,946</u>
Total Liabilities And Net Assets	<u>\$ 330,099</u>	<u>\$ 188,302</u>

Orphan Grain Train, Inc.
SUPPLEMENTAL SCHEDULE OF ACTIVITIES--HOPE FOR THE STARVING, LLC
For the Year Ending May 31, 2018
With comparative totals for 2017

	2018	2017
Support and revenues:		
Sales - Hope for the Starving	\$ 252,090	\$ 279,030
Cost of goods sold-Hope for the Starving	(212,640)	(214,472)
Net profit - Hope for the Starving	39,450	64,558
 Expenses:		
Shipping costs-Hope for the Starving	17,112	14,758
Professional services	221	-
Office supplies	-	402
Total Operating Expenses	17,333	15,160
Net operating income	22,117	49,398
 Other Increase (Decrease) in Net Assets		
Total other increase (decrease) in net assets	-	-
 Increase (Decrease) in Net Assets	\$ 22,117	\$ 49,398

Orphan Grain Train, Inc.
SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION--HOPE FOR THE STARVING, LLC
May 31, 2018
With comparative totals for 2017

	2018	2017
ASSETS		
Assets		
Cash & cash equivalents	\$ 117,016	\$ 128,775
Accounts Receivable--Others	16,362	18,097
Inventory	72,493	36,882
	Total Assets	Total Assets
	\$ 205,871	\$ 183,754
LIABILITIES AND NET ASSETS		
Liabilities		
	\$	\$
Total Liabilities	-	-
Net Assets		
Unrestricted, beginning of year	183,754	134,356
Increase (decrease) in net assets	22,117	49,398
Total Net Assets	205,871	183,754
	Total Liabilities And Net Assets	Total Liabilities And Net Assets
	\$ 205,871	\$ 183,754