

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2020 AND 2019  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ORPHAN GRAIN TRAIN, INC.

TABLE OF CONTENTS

MAY 31, 2020

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, MAY 31, 2020 AND 2019	3
CONSOLIDATED STATEMENTS OF ACTIVITIES, FOR THE YEARS ENDED MAY 31, 2020 AND 2019	4
CONSOLIDATED STATEMENTS OF CASH FLOWS, FOR THE YEARS ENDED MAY 31, 2020 AND 2019	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, MAY 31, 2020	6-14
SUPPLEMENTARY INFORMATION	
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MAY 31, 2020	15-16
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MAY 31, 2019	17-18
STATEMENTS OF FINANCIAL POSITION, – OGT LOGISTICS, LLC, MAY 31, 2020 AND 2019	19
STATEMENTS OF ACTIVITIES – OGT LOGISTICS, LLC, FOR THE YEARS ENDED MAY 31, 2020 AND 2019	20
STATEMENTS OF FINANCIAL POSITION, – HOPE FOR THE STARVING, LLC, MAY 31, 2020 AND 2019	21
STATEMENTS OF ACTIVITIES – HOPE FOR THE STARVING, LLC, FOR THE YEARS ENDED MAY 31, 2020 AND 2019	22



SCHUMACHER, SMEJKAL,  
BROCKHAUS AND HERLEY, P.C.

**CERTIFIED  
PUBLIC ACCOUNTANTS  
& BUSINESS CONSULTANTS**

Richard E. Schumacher

Scott T. Smejkal

Mark J. Brockhaus

Brock J. Herley



3403 27th Street  
P.O. Box 280  
Columbus, NE 68602-0280  
P: 402 564 1366  
F: 402 564 1360



508 West Prospect Avenue  
P.O. Box 368  
Norfolk, NE 68702-0368  
P: 402 379 2722  
F: 402 379 2218

[www.gotcpas.com](http://www.gotcpas.com)

MEMBERS

American Institute of  
Certified Public Accountants

Nebraska Society of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Orphan Grain Train, Inc.

We have audited the accompanying consolidated financial statements of Orphan Grain Train, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditors consider 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. as of May 31, 2020 and 2019, 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.

To the Board of Directors  
Orphan Grain Train, Inc.

### 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 for the current year on pages 15 and 16, the consolidated schedule of functional expenses for the prior year on pages 17 and 18, the statements of financial position and activities – OGT Logistics, LLC on pages 19 and 20, and the statements of financial position and activities – Hope for the Starving, LLC on pages 21 and 22 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.

*Schumacher, Smejkal, Brockhaus & Herley, P.C.*

SCHUMACHER, SMEJKAL, BROCKHAUS & HERLEY, P.C.  
Certified Public Accountants

Norfolk, Nebraska  
August 20, 2020

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,309,938	\$ 5,633,729
Endowment Funds	30,882	-
Accounts Receivable	27,615	49,791
Campaign Pledge Receivable - Current Portion	170,050	-
Inventory	14,095,836	14,872,671
Investments	86,204	82,668
Total Current Assets	<u>\$ 20,720,525</u>	<u>\$ 20,638,859</u>
PROPERTY AND EQUIPMENT , NET	<u>\$ 4,658,894</u>	<u>\$ 4,408,997</u>
DONOR RESTRICTED ASSETS		
Endowment Funds	<u>\$ 56,944</u>	<u>\$ 56,975</u>
OTHER ASSETS		
Campaign Pledge Receivable - Net of Current Portion	<u>\$ 352,618</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 25,788,981</u>	<u>\$ 25,104,831</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 8,649	\$ 18,205
Accrued Payroll	7,252	6,900
Total Current Liabilities	<u>\$ 15,901</u>	<u>\$ 25,105</u>
LONG-TERM LIABILITIES		
Note Payable	<u>\$ 157,596</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 173,497</u>	<u>\$ 25,105</u>
NET ASSETS		
Without Donor Restrictions	\$ 23,288,889	\$ 23,234,874
With Donor Restrictions	2,326,595	1,844,852
Total Net Assets	<u>\$ 25,615,484</u>	<u>\$ 25,079,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,788,981</u>	<u>\$ 25,104,831</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THE CONSOLIDATED FINANCIAL STATEMENTS

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Revenue Without Donor Restrictions		
Public Support - Cash Contributions	\$ 2,931,382	\$ 2,672,000
Public Support - Stock and Mutual Fund Contributions	-	40,428
Donated Property and Equipment	237,570	5,157
Gifts-in-Kind	42,640,302	47,274,651
Public Support - Fish Feed/New Initiatives	53,284	83,596
Special Events Income	44,566	17,084
Convention Income	28,013	781
Hope for the Starving Income	244,000	231,706
Miscellaneous Income	47,573	5,140
Gain on Sale of Property and Equipment	-	7,000
Investment Income	9,461	15,478
Interest Income	82,497	59,318
OGT Logistics - Outside Trip Income	-	14,046
Total Revenue Without Donor Restrictions	<u>\$ 46,318,648</u>	<u>\$ 50,426,385</u>
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>\$ 1,998,477</u>	<u>\$ 1,301,649</u>
Total Revenue and Other Support Without Donor Restrictions	<u>\$ 48,317,125</u>	<u>\$ 51,728,034</u>
<b>EXPENSES</b>		
Expenses Without Donor Restrictions		
Program Services		
Humanitarian Aid and Disaster Relief	\$ 47,318,716	\$ 48,705,754
Management and General	512,874	527,155
Fundraising	418,504	361,712
Loss on Sale of Property and Equipment	13,049	-
Total Expenses Without Donor Restrictions	<u>\$ 48,263,143</u>	<u>\$ 49,594,621</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 53,982</u>	<u>\$ 2,133,413</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Public Support - Cash Contributions	\$ 2,480,253	\$ 2,108,179
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>(1,998,477)</u>	<u>(1,301,649)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 481,776</u>	<u>\$ 806,530</u>
NET CHANGE IN NET ASSETS	\$ 535,758	\$ 2,939,943
NET ASSETS AT BEGINNING OF YEAR	<u>25,079,726</u>	<u>22,139,783</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,615,484</u>	<u>\$ 25,079,726</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THE CONSOLIDATED FINANCIAL STATEMENTS

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 535,758	\$ 2,939,943
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation	275,647	259,457
Noncash Contributions of Property and Equipment	(237,570)	(5,157)
(Gain)/Loss on Sale of Property and Equipment	13,049	(7,000)
Change in Endowment Funds	(30,851)	-
Change in Accounts Receivable	22,176	(22,399)
Change in Campaign Pledge Receivable	(522,668)	-
Change in Inventory	776,835	(2,652,595)
Change in Accounts Payable	(9,556)	9,830
Change in Accrued Expenses	352	537
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 823,172</u>	<u>\$ 522,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Increase) Decrease in Investments	\$ (3,536)	\$ (32,672)
Purchase of Property and Equipment	(301,023)	(264,901)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>\$ (304,559)</u>	<u>\$ (297,573)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Notes Payable	\$ 157,596	\$ -
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ 676,209	\$ 225,043
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>5,633,729</u>	<u>5,408,686</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 6,309,938</u>	<u>\$ 5,633,729</u>
 <b>SUPPLEMENTAL INFORMATION</b>		
<b>NONCASH TRANSACTIONS</b>		
Noncash Contributions of Property and Equipment	<u>\$ 237,570</u>	<u>\$ 5,157</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THE CONSOLIDATED FINANCIAL STATEMENTS

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

**NATURE OF ENTITY:** 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. Headquartered in Norfolk, Nebraska, the branches are located in Arizona, Colorado, Connecticut, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Pennsylvania, and Wisconsin. Collection centers are located in California, Colorado, Kansas, Minnesota, Missouri, Nebraska, New York, Ohio, South Dakota and Texas.

**CONSOLIDATION:** The accompanying consolidated financial statements include 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 \$593,141 and \$729,908 for OGT Logistics, LLC, including \$593,141 and \$715,862 that was eliminated in consolidation, which was 1.20% and 1.42% of total revenues in 2020 and 2019, respectively. Revenues attributed to Orphan Grain Train, Inc. were \$244,000 and \$231,706 for Hope for the Starving, LLC, which was .49% and .43% of total revenues in 2020 and 2019, respectively.

**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). Thus, revenues are recognized when earned, and expenses are recognized when incurred.

**NET ASSETS:** Net assets are displayed in two components as follows:

Without Donor Restrictions – This component consists of net assets that do not meet the definition of “with donor restrictions.”

With Donor Restrictions – This component consists of net assets that are specifically restricted by outside parties or donors for specific purposes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as without donor restrictions.

**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.

**CONTRIBUTIONS:** Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. If there is a question as to which restriction should be used, Orphan Grain Train, Inc. calls the donor to verify.

**CASH AND CASH EQUIVALENTS:** Orphan Grain Train, Inc. considers all investments that are highly liquid to be cash equivalents. Restricted cash and cash equivalents are limited in use by grant and donor imposed restrictions.



ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, CONTINUED

**PROPERTY AND EQUIPMENT:** Equipment expenditures greater than \$1,500 are capitalized. Contributed property and equipment are recorded at fair value at the time of donation. Expenditures for maintenance and repairs are charged to operations as incurred.

Property and equipment are carried at cost or fair value, depending on the method of acquisition. Depreciation is computed using annual rates which are sufficient to amortize the cost of depreciable property and equipment under the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 to 20 years
Vehicles	5 years
Buildings & Improvements	15 to 39 years

The Organization utilized a warehouse rent-free at the Minnesota branch. Gifts-in-kind rent of \$0, and \$5,725 has been recorded for the use of the warehouse for the fiscal years ended May 31, 2020 and 2019, respectively.

**DONATED SERVICES:** The total value of non-professional services was \$943,629 and \$1,027,727 based on a \$9 per hour wage rate for the years ended May 31, 2020 and 2019, respectively. 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.

**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 were \$81,616 and \$67,158 for the years ending May 31, 2020 and 2019, respectively.

**CONCENTRATION IN SHIPPING:** The Organization primarily uses OGT Logistics, LLC, a wholly-owned subsidiary to ship products domestically. 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 TAXES:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on net unrelated business income over \$1,000. Unrelated business income is earned through transportation hauling for outside parties. The Organization is not classified as a private foundation for income tax purposes. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, CONTINUED

**INCOME TAXES, CONTINUED:** The Organization's federal Exempt Organization Business Income Tax Returns (Forms 990 and 990-T) for the years ended May 31, 2016, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**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.

**FUNCTIONAL ALLOCATION OF EXPENSES:** The costs of various programs and supporting 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.

**LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:** As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and savings accounts, and money market funds.

**SUBSEQUENT EVENTS:** Subsequent events were evaluated through August 20, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020 the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Later, on March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global health pandemic. Measures taken by federal, state, and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

The outbreak of COVID-19 has caused disruption in operations. In an effort to minimize the spread of COVID-19, the Organization, in March, closed branches and collection centers. The Organization has opened various branch and collection centers and resumed activities under the newly directed health measures and, therefore, is still not operating at full capacity. The continued closure of locations and limitations of activities may adversely impact the ability of the Organization to conduct its operations, and result in increased cost of operations, declines in revenues, and declines in investment values.

The ultimate impact of the pandemic is highly uncertain. While the Organization expects that the COVID-19 outbreak may adversely impact the Organization's fiscal year 2021 results, the Organization cannot at this time accurately predict the full extent to which the COVID-19 outbreak will affect the Organization's finances and operations. The Organization continues to monitor developments and the directives of federal, state and local officials to determine what additional precautions and procedures need to be implemented by the Organization. See Note 15 for management's plans.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash held at various banks consists of checking accounts, savings accounts and certificates of deposits.

At May 31, 2020, the Organization's had cash deposits and certificates in excess of the \$250,000 Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) limits were exposed to custodial credit risk as follows:

Uninsured not collateralized by securities held by the pledging financial institution	\$ 3,049,236
---	--------------

NOTE 3 – INVESTMENTS

Investments are stated at fair value based on quoted prices in active markets and consist of the following at May 31:

	2020 <u>Fair Value</u>	2019 <u>Fair Value</u>
Stocks	\$ 8,236	\$ 57,155
Cash	77,968	25,509
Other	-	4
Total	<u>\$ 86,204</u>	<u>\$ 82,668</u>

Investment income is reported net of investment expenses in the Consolidated Statement of Activities.

NOTE 4 – ACCOUNTS RECEIVABLE

Other accounts receivables consist of amounts due for the 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. The amount of receivables due over 90 days was \$3,496, and \$166 as of May 31, 2020 and 2019 respectively.

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 5 – PLEDGES RECEIVABLE

Pledges receivable reflect unconditional promises to give to the Norfolk, Nebraska collection center warehouse campaign and are recorded at net realizable value. There were no pledges written off in 2020 or 2019.

	<u>2020</u>	<u>2019</u>
Pledges Receivable, Current	\$ 170,050	\$ -
Pledges Receivable, NonCurrent	383,225	-
Less Discount to Fair Value	(30,607)	(-)
Total Pledges Receivable	<u>\$ 522,668</u>	<u>\$ -</u>

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 5 – PLEDGES RECEIVABLE, CONTINUED

Estimated future cash flows of pledges receivable at May 31, 2020 are as follows:

Due	Estimated Cash Flows	Discount	Discounted Value
2021	\$ 170,050	\$ (-)	\$ 170,050
2022	128,550	(4,944)	123,606
2023	110,050	(8,303)	101,747
2024	106,425	(11,814)	94,611
2025	38,200	(5,546)	32,654
Total	<u>\$ 553,275</u>	<u>\$ (30,607)</u>	<u>\$ 522,668</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment for the Organization consists of the following at May 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 118,471	\$ 118,471
Buildings	4,910,311	4,479,085
Warehouse Equipment	138,584	132,828
Bedroom and Kitchen Trailers	157,182	144,415
Domestic Disaster	466,868	564,812
Heavy Trucks and Trailers	246,215	278,457
Vehicles, Light Trucks, and Trailers	719,472	515,090
Equipment – Office and Program	238,832	212,350
	<u>\$ 6,995,935</u>	<u>\$ 6,445,508</u>
Less: Accumulated Depreciation	<u>(2,337,041)</u>	<u>(2,036,511)</u>
Property and Equipment, Net	<u>\$ 4,658,894</u>	<u>\$ 4,408,997</u>

Depreciation expense is \$275,647 and \$259,457 for the fiscal years ended May 31, 2020 and 2019, respectively.

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 7 – 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.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 8 – 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. Orphan Grain Train, Inc. paid \$6,875 and \$6,450 to the employees, for the years ended May 31, 2020 and 2019, respectively.

NOTE 9 – LEASES

In December 2018, the Organization entered into an operating lease agreement for warehouse space at the Mid-Atlantic branch location. The lease term is 24 months, with monthly payments due of \$800 for the first year and \$1,000 for the second year. Amounts paid by the Organization in conjunction with the office space lease were \$10,800 and \$4,800 for the years ended May 31, 2020 and 2019, respectively.

In May 2019, the Organization entered into an operating lease agreement for a copier/printer. The lease term is 60 months, with monthly payments due of \$111. Amounts paid in conjunction with the copier lease were \$1,336 and \$278 for the years ended May 31, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

	<u>Copier/Printer</u>	<u>Warehouse</u>	<u>Amount</u>
Year ending May 31:			
2021	\$ 1,336	\$ 6,000	\$ 7,336
2022	1,336	-	1,336
2023	1,336	-	1,336
2024	<u>1,224</u>	<u>-</u>	<u>1,224</u>
	<u>\$ 5,232</u>	<u>\$ 6,000</u>	<u>\$ 11,232</u>

NOTE 10 – FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 820-10 which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC Section 820-10 defines fair value as the exchange price which would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Section 820-10 requires valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs and establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels of the fair value hierarchy are as follows:

Level 1: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities which the Organization has the ability to access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 which are observable for an asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for an asset or liability.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 10 – FAIR VALUE MEASUREMENTS, CONTINUED

The estimated fair values for Orphan Grain Train, Inc.'s financial assets and liabilities measured on a recurring basis as of May 31, 2020 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 2,860,505	\$ -	\$ 2,860,505	\$ -
Investments				
Stocks	8,236	8,236	-	-
Cash	77,968	77,968	-	-
Other	-	-	-	-
Total	<u>\$ 2,946,709</u>	<u>\$ 86,204</u>	<u>\$ 2,860,505</u>	<u>\$ -</u>

The estimated fair values for Orphan Grain Train, Inc.'s financial assets and liabilities measured on a recurring basis as of May 31, 2019 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 2,795,615	\$ -	\$ 2,795,615	\$ -
Investments				
Stocks	57,155	57,155	-	-
Cash	25,509	25,509	-	-
Other	4	4	-	-
Total	<u>\$ 2,878,283</u>	<u>\$ 82,668</u>	<u>\$ 2,795,615</u>	<u>\$ -</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Substantially all of the restrictions in net assets as of May 31, 2020 and 2019, are related to funds received for humanitarian aid or other needs of the association.

Net assets with donor restrictions totaled \$2,326,595 and \$1,844,852 as of May 31, 2020 and 2019, respectively. Net assets with donor restrictions consisted of \$56,944 and \$56,975, respectively, in an endowment certificate of deposit that earns interest which is restricted for assistance with the Adopt an Orphanage program.

NOTE 12 – ENDOWMENT FUNDS

The Organization has two endowments. One endowment consists of a fund established for the Adopt an Orphanage program. Its endowment includes only donor restricted funds. The other endowment consists of a fund established for the operational needs of the Orphan Grain Train's Wisconsin branch. Its endowment includes only without 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 THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 12 – ENDOWMENT FUNDS, CONTINUED

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 net assets with donor restrictions (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 perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

A summary of the change in endowment net assets for the year ended May 31, 2020 is as follows:

Endowment Net Assets - With Donor Restrictons,	
Beginning of Year	\$ 56,975
Contributions	-
Investment Return, Net	(31)
Endowment Net Assets - With Donor Restrictons,	
End of Year	<u>\$ 56,944</u>
Endowment Net Assets - Without Donor Restrictons,	
Beginning of Year	\$ -
Contributions	30,000
Investment Return, Net	882
Endowment Net Assets - Without Donor Restrictons,	
End of Year	<u>\$ 30,882</u>

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.

NOTE 13 – SHIPPING COSTS

Shipping costs of \$200,307 and \$153,998 are included in program costs on the statement of activities for the years ended May 31, 2020 and 2019, respectively.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2020

NOTE 14 – RELATED PARTY TRANSACTIONS

A board member has ownership in a mobile storage company and trucking company that the Organization did business with. The total amount paid to these companies was \$16,192 and \$29,358 for the years ended May 31, 2020 and 2019, respectively.

A board member has ownership in an implement dealership. The total amount paid to this company was \$2,944 and \$420 for the years ended May 31, 2020 and 2019, respectively.

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 \$150 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.

NOTE 15 - COVID-19 AND MANAGEMENT'S PLAN

The outbreak of COVID-19 has caused disruption in operations. In an effort to minimize the spread of COVID-19, the Organization, in March, closed branches and collection centers. The Organization has opened various branch and collection centers and resumed activities under the newly directed health measures and, therefore, is still not operating at full capacity. The continued closure of locations and limitations of activities may adversely impact the ability of the Organization to conduct its operations, and result in increased cost of operations, declines in revenues, and declines in investment values.

To date, management has applied for and received a \$157,825 loan under the Paycheck Protection Program of the CARES Act, to keep personnel on payroll and to manage cash flows and meet expenditures as they come due. If certain requirements are met, then the loan can potentially be forgivable.

The Organization will continue to work to develop solutions and strategies for addressing these financial and operational challenges.



SUPPLEMENTARY INFORMATION

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2020

EXPENSES	Humanitarian	Management	Fundraising	Total
	Aid and Disaster Relief	and General		
Relief and Assistance				
Clothes	\$ 32,745,715	-	-	\$ 32,745,715
Medical Supplies	1,183,599	-	-	1,183,599
Medical Equipment	610,358	-	-	610,358
Food	5,640,021	-	-	5,640,021
Freight and Shipping	749,573	-	-	749,573
Miscellaneous	601,319	-	-	601,319
Disaster	86,659	-	-	86,659
Household	1,953,358	-	-	1,953,358
School	629,931	-	-	629,931
Support Missionaries	414,638	-	-	414,638
Purchased Inventory	815,471	-	-	815,471
Total Relief and Assistance	\$ 45,430,642	\$ -	\$ -	\$ 45,430,642

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2020

	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
Other Expenses				
Cost of Goods Sold - Hope for Starving	\$ 224,751	-	-	\$ 224,751
Salaries and Wages	144,191	286,394	156,870	587,455
Employee Benefits	56,867	157,929	55,955	270,751
Payroll Taxes	11,508	14,681	5,863	32,052
Repairs and Maintenance	348,341	4,173	-	352,514
Supplies	105,621	2,697	4,680	112,998
Transportation	200,195	112	-	200,307
Gas and Fuel	56,404	-	-	56,404
Insurance	189,548	(219)	(3,529)	185,800
Depreciation	275,647	-	-	275,647
Contract Services	42,871	11,721	30,894	85,486
Professional Fees	26,901	-	-	26,901
Advertising	3,011	312	78,293	81,616
Dues, Subscriptions, and Licenses	14,957	-	1,051	16,008
Convention Expense	1,787	-	32,632	34,419
Meetings and Conferences	11,658	382	790	12,830
Travel	32,479	2,726	17,690	52,895
Office Supplies	8,124	10,062	498	18,684
Postage	4,014	1,002	10,038	15,054
Fundraiser Expense	1,000	-	24,669	25,669
Special Events	3,563	7,610	1,340	12,513
Rent	38,148	-	-	38,148
Taxes	4,498	-	-	4,498
Utilities	58,721	11,080	-	69,801
Telephone	14,630	1,799	769	17,198
Miscellaneous	6,479	-	1	6,480
Bank Charges	2,160	413	-	2,573
Total Other Expenses	\$ 1,888,074	\$ 512,874	\$ 418,504	\$ 2,819,452
Total Expenses	\$ 47,318,716	\$ 512,874	\$ 418,504	\$ 48,250,094

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2019

	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
<b>EXPENSES</b>				
Relief and Assistance				
Clothes	\$ 31,348,735	-	-	\$ 31,348,735
Medical Supplies	1,556,792	-	-	1,556,792
Medical Equipment	980,487	-	-	980,487
Food	7,170,165	-	-	7,170,165
Freight and Shipping	883,842	-	-	883,842
Miscellaneous	714,093	-	-	714,093
Disaster	325,050	-	-	325,050
Household	1,990,220	-	-	1,990,220
School	531,793	-	-	531,793
Support Missionaries	489,975	270	-	490,245
Purchased Inventory	745,315	524	-	745,839
Total Relief and Assistance	<u>\$ 46,736,467</u>	<u>\$ 794</u>	<u>\$ -</u>	<u>\$ 46,737,261</u>

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2019

Other Expenses	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
Cost of Goods Sold - Hope for Starving	\$ 201,482	-	-	\$ 201,482
Salaries and Wages	162,285	271,829	122,096	556,210
Employee Benefits	56,377	161,672	54,719	272,768
Payroll Taxes	14,121	12,173	2,193	28,487
Repairs and Maintenance	448,094	18,559	-	466,653
Supplies	147,284	3,103	5,084	155,471
Transportation	153,838	-	-	153,838
Gas and Fuel	86,042	-	-	86,042
Insurance	142,396	2,824	(3,703)	141,517
Depreciation	259,457	-	-	259,457
Contract Services	55,594	16,332	46,612	118,538
Professional Fees	23,873	100	-	23,973
Advertising	3,596	133	63,429	67,158
Dues, Subscriptions, and Licenses	19,390	115	2,567	22,072
Convention Expense	-	-	90	90
Meetings and Conferences	9,089	198	1,263	10,550
Travel	37,540	4,520	10,565	52,625
Office Supplies	9,263	10,495	175	19,933
Postage	4,856	1,450	25,405	31,711
Fundraiser Expense	-	-	29,440	29,440
Special Events	9,756	-	797	10,553
Rent	40,988	419	-	41,407
Taxes	4,529	2,480	-	7,009
Utilities	53,304	17,007	-	70,311
Telephone	12,707	2,002	407	15,116
Miscellaneous	10,775	871	573	12,219
Bank Charges	2,651	79	-	2,730
Total Other Expenses	<u>\$ 1,969,287</u>	<u>\$ 526,361</u>	<u>\$ 361,712</u>	<u>\$ 2,857,360</u>
Total Expenses	<u>\$ 48,705,754</u>	<u>\$ 527,155</u>	<u>\$ 361,712</u>	<u>\$ 49,594,621</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - OGT LOGISTICS, LLC

MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	<u>\$ 189,230</u>	<u>\$ 170,031</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>\$ 145,268</u>	<u>\$ 144,238</u>
<b>TOTAL ASSETS</b>	<u>\$ 334,498</u>	<u>\$ 314,269</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 7,944	\$ 18,205
Accrued Payroll	4,738	4,738
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 12,682</u>	<u>\$ 22,943</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	<u>\$ 321,816</u>	<u>\$ 291,326</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 334,498</u>	<u>\$ 314,269</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - OGT LOGISTICS, LLC

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUE		
Inside Trip Income	\$ 593,141	\$ 715,862
Outside Trip Income	-	14,046
Total Revenue Without Donor Restrictions	<u>\$ 593,141</u>	<u>\$ 729,908</u>
EXPENSES		
Advertising	\$ -	\$ 17
Bank Charges	65	-
Contract Services	-	105
Depreciation	58,763	45,620
Dues, Subscriptions, and Licenses	7,840	7,832
Gas and Fuel	56,404	86,042
Insurance	71,023	81,868
Miscellaneous	3,933	1,705
Office Supplies	2,243	2,000
Payroll Taxes	6,082	9,214
Professional Fees	1,827	4,138
Repairs and Maintenance	167,774	284,329
Rent	-	5,954
Salaries and Wages	78,044	97,896
Supplies	14,430	34,599
Taxes	358	-
Telephone	2,837	1,341
Travel	7,122	5,621
Transportation	121,839	91,758
Utilities	2,375	2,185
Total Expenses, Without Donor Restrictions	<u>\$ 602,959</u>	<u>\$ 762,224</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	<u>\$ (9,818)</u>	<u>\$ (32,316)</u>
Other Increase (Decrease) in Net Assets Without Donor Restrictions		
Other Income	\$ 3,009	\$ 3,516
Gain (Loss) on Sale of Assets	(1,016)	-
Transfer (to) from OGT	38,315	2,890
Total Other Increase (Decrease) in Net Assets Without Donor Restrictions	<u>\$ 40,308</u>	<u>\$ 6,406</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 30,490</u>	<u>\$ (25,910)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>291,326</u>	<u>317,236</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 321,816</u>	<u>\$ 291,326</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - HOPE FOR THE STARVING, LLC

MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 86,533	\$ 96,427
Accounts Receivable	27,615	49,791
Inventory	107,317	73,497
TOTAL CURRENT ASSETS	<u>\$ 221,465</u>	<u>\$ 219,715</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 705	\$ -
TOTAL CURRENT LIABILITIES	<u>\$ 705</u>	<u>\$ -</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 220,760</u>	<u>\$ 219,715</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 221,465</u>	<u>\$ 219,715</u>



ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - HOPE FOR THE STARVING LLC

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUE		
Revenue Without Donor Restrictions		
Sales	\$ 244,000	\$ 231,706
Cost of Goods Sold	224,751	201,482
Net Profit Without Donor Restrictions	<u>\$ 19,249</u>	<u>\$ 30,224</u>
EXPENSES		
Expenses Without Donor Restrictions		
Shipping Costs	\$ 17,998	\$ 16,197
Professional Fees	206	-
Office Supplies	-	183
Total Expenses Without Donor Restrictions	<u>\$ 18,204</u>	<u>\$ 16,380</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,045	\$ 13,844
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>219,715</u>	<u>205,871</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 220,760</u>	<u>\$ 219,715</u>