

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ORPHAN GRAIN TRAIN, INC.

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MAY 31, 2021

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INDEPENDENT AUDITORS' REPORT

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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, 2021 and 2020, 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 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 consolidated 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, 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.

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 14 and 15, the consolidated schedule of functional expenses for the prior year on pages 16 and 17, the statements of financial position and activities – OGT Logistics, LLC on pages 18 and 19, and the statements of financial position and activities – Hope for the Starving, LLC on pages 20 and 21 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, Herley & Elm, P.C.

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

Norfolk, Nebraska
August 12, 2021

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2021 AND 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,502,102	\$ 6,309,938
Endowment Funds	39,678	30,882
Accounts Receivable	9,261	27,615
Campaign Pledge Receivable - Current Portion	148,550	170,050
Inventory	10,022,121	14,095,836
Investments	10,229	86,204
Total Current Assets	<u>\$ 17,731,941</u>	<u>\$ 20,720,525</u>
PROPERTY AND EQUIPMENT , NET	<u>\$ 5,445,797</u>	<u>\$ 4,658,894</u>
DONOR RESTRICTED ASSETS		
Endowment Funds	<u>\$ 73,152</u>	<u>\$ 56,944</u>
OTHER ASSETS		
Campaign Pledge Receivable - Net of Current Portion	<u>\$ 217,475</u>	<u>\$ 352,618</u>
TOTAL ASSETS	<u><u>\$ 23,468,365</u></u>	<u><u>\$ 25,788,981</u></u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts Payable	\$ 28,547	\$ 8,649
Cash Overdraft	57,618	-
Accrued Payroll	8,402	7,252
Total Current Liabilities	<u>\$ 94,567</u>	<u>\$ 15,901</u>
LONG-TERM LIABILITIES		
Note Payable	<u>\$ -</u>	<u>\$ 157,596</u>
TOTAL LIABILITIES	<u>\$ 94,567</u>	<u>\$ 173,497</u>
NET ASSETS		
Without Donor Restrictions	\$ 20,107,502	\$ 23,288,889
With Donor Restrictions	3,266,296	2,326,595
Total Net Assets	<u>\$ 23,373,798</u>	<u>\$ 25,615,484</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,468,365</u></u>	<u><u>\$ 25,788,981</u></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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Revenue Without Donor Restrictions		
Public Support - Cash Contributions	\$ 3,306,705	\$ 2,931,382
Donated Property and Equipment	454,095	237,570
Gifts-in-Kind	33,702,985	42,640,302
Public Support - Fish Feed/New Initiatives	6,519	53,284
Special Events Income	-	44,566
Convention Income	-	28,013
Hope for the Starving Income	142,176	244,000
Miscellaneous Income	4,979	47,573
Investment Income	94,995	9,461
Interest Income	61,736	82,497
OGT Logistics - Outside Trip Income	11,194	-
Total Revenue Without Donor Restrictions	<u>\$ 37,785,384</u>	<u>\$ 46,318,648</u>
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>\$ 1,135,511</u>	<u>\$ 1,998,477</u>
Total Revenue and Other Support Without Donor Restrictions	<u>\$ 38,920,895</u>	<u>\$ 48,317,125</u>
EXPENSES		
Expenses Without Donor Restrictions		
Program Services		
Humanitarian Aid and Disaster Relief	\$ 41,140,531	\$ 47,318,716
Management and General	536,914	512,874
Fundraising	387,919	418,504
Loss on Sale of Property and Equipment	36,918	13,049
Total Expenses Without Donor Restrictions	<u>\$ 42,102,282</u>	<u>\$ 48,263,143</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (3,181,387)</u>	<u>\$ 53,982</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Public Support - Cash Contributions	\$ 1,917,616	\$ 2,480,253
PPP Loan Forgiveness	157,596	-
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>(1,135,511)</u>	<u>(1,998,477)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 939,701</u>	<u>\$ 481,776</u>
NET CHANGE IN NET ASSETS	<u>\$ (2,241,686)</u>	<u>\$ 535,758</u>
NET ASSETS AT BEGINNING OF YEAR	<u>25,615,484</u>	<u>25,079,726</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,373,798</u>	<u>\$ 25,615,484</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,241,686)	\$ 535,758
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation	305,652	275,647
Noncash Contributions of Property and Equipment	(454,095)	(237,570)
Loss on Sale of Property and Equipment	36,918	13,049
Change in Endowment Funds	(25,004)	(30,851)
Change in Accounts Receivable	18,354	22,176
Change in Campaign Pledge Receivable	156,643	(522,668)
Change in Inventory	4,073,715	776,835
Change in Accounts Payable	19,898	(9,556)
Change in Accrued Payroll	1,150	352
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,891,545</u>	<u>\$ 823,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Increase) Decrease in Investments	\$ 75,975	\$ (3,536)
Purchase of Property and Equipment	(675,378)	(301,023)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (599,403)</u>	<u>\$ (304,559)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	\$ -	\$ 157,596
Net Increase in Cash Overdraft	57,618	-
Forgiven Notes Payable	(157,596)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ (99,978)</u>	<u>\$ 157,596</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 1,192,164	\$ 676,209
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,309,938</u>	<u>5,633,729</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,502,102</u>	<u>\$ 6,309,938</u>
SUPPLEMENTAL INFORMATION		
NONCASH TRANSACTIONS		
Noncash Contributions of Property and Equipment	<u>\$ 454,095</u>	<u>\$ 237,570</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, 2021

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, Houston, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Pennsylvania, Phoenix 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 \$557,630 and \$593,141 for OGT Logistics, LLC, including \$546,436 and \$593,141 that was eliminated in consolidation, which was 1.38% and 1.20% of total revenues in 2021 and 2020, respectively. Revenues attributed to Orphan Grain Train, Inc. were \$142,176 and \$244,000 for Hope for the Starving, LLC, which was .35% and .49% of total revenues in 2021 and 2020, 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, 2021

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 \$0 has been recorded for the use of the warehouse for the fiscal years ended May 31, 2021 and 2020, respectively.

DONATED SERVICES: The total value of non-professional services was \$720,135 and \$943,629 based on a \$9 per hour wage rate for the years ended May 31, 2021 and 2020, 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 \$74,262 and \$81,616 for the years ending May 31, 2021 and 2020, 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, 2021

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, 2017, 2018, 2019, and 2020 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 12, 2021, which is the date the consolidated financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

At May 31, 2021, the Organization 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	\$ 282,023
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NOTE 3 – INVESTMENTS

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

	2021 <u>Fair Value</u>	2020 <u>Fair Value</u>
Stocks	\$ 9,696	\$ 8,236
Cash	534	77,968
Other	-	-
Total	<u>\$ 10,229</u>	<u>\$ 86,204</u>

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

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2021

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 \$0 and \$3,496, as of May 31, 2021 and 2020 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 2021 or 2020.

	<u>2021</u>	<u>2020</u>
Pledges Receivable, Current	\$ 148,550	\$ 170,050
Pledges Receivable, NonCurrent	237,589	383,225
Less Discount to Fair Value	<u>(20,114)</u>	<u>(30,607)</u>
Total Pledges Receivable	<u>\$ 366,025</u>	<u>\$ 522,668</u>

Estimated future cash flows of pledges receivable at May 31, 2021 are as follows:

<u>Due</u>	<u>Estimated Cash Flows</u>	<u>Discount</u>	<u>Discounted Value</u>
2022	\$ 148,550	\$ (-)	\$ 148,550
2023	90,250	(3,610)	86,640
2024	61,362	(4,909)	56,453
2025	54,027	(6,483)	47,544
2026	31,950	(5,112)	26,838
Total	<u>\$ 386,139</u>	<u>\$ (20,114)</u>	<u>\$ 366,025</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 473,471	\$ 118,471
Buildings	5,473,635	4,910,311
Warehouse Equipment	147,638	138,584
Bedroom and Kitchen Trailers	157,182	157,182
Domestic Disaster	554,188	466,868
Heavy Trucks and Trailers	246,215	246,215
Vehicles, Light Trucks, and Trailers	765,008	719,472
Equipment – Office and Program	<u>228,345</u>	<u>238,832</u>
	<u>\$ 8,045,682</u>	<u>\$ 6,995,935</u>
Less: Accumulated Depreciation	<u>(2,599,885)</u>	<u>(2,337,041)</u>
Property and Equipment, Net	<u>\$ 5,445,797</u>	<u>\$ 4,658,894</u>

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2021

NOTE 6 – PROPERTY AND EQUIPMENT, CONTINUED

Depreciation expense is \$305,652 and \$275,647 for the fiscal years ended May 31, 2021 and 2020, respectively.

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.

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 \$7,200 and \$6,875 to the employees, for the years ended May 31, 2021 and 2020, 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 \$6,000 and \$10,800 for the years ended May 31, 2021 and 2020, respectively.

In December 2020, the Organization entered into an operating lease agreement for warehouse space at the Mid-Atlantic branch location. The lease term is 36 months, with monthly payments due of \$1,000. Amounts paid by the Organization in conjunction with the office space lease were \$6,000 and \$0 for the years ended May 31, 2021 and 2020, 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 \$1,336 for the years ended May 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

	<u>Copier/Printer</u>	<u>Warehouse</u>	<u>Amount</u>
Year ending May 31:			
2022	\$ 1,336	\$ 12,000	\$ 13,336
2023	1,336	12,000	13,336
2024	<u>1,224</u>	<u>6,000</u>	<u>7,224</u>
	<u>\$ 3,896</u>	<u>\$ 30,000</u>	<u>\$ 33,896</u>

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2021

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.

The estimated fair values for Orphan Grain Train, Inc.'s financial assets and liabilities measured on a recurring basis as of May 31, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 35,000	\$ -	\$ 35,000	\$ -
Investments				
Stocks	9,696	9,696	-	-
Cash	533	533	-	-
Other	-	-	-	-
Total	<u>\$ 45,229</u>	<u>\$ 10,229</u>	<u>\$ 35,000</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, 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>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Substantially all of the restrictions in net assets as of May 31, 2021 and 2020, are related to funds received for humanitarian aid or other needs of the association.

Net assets with donor restrictions totaled \$3,266,296 and \$2,326,595 as of May 31, 2021 and 2020, respectively. Net assets with donor restrictions consisted of \$73,152 and \$56,944, respectively, in an endowment certificate of deposit that earns interest which is restricted for assistance with the Adopt an Orphanage program.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2021

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.

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, 2021 is as follows:

Endowment Net Assets - With Donor Restrictitons,	
Beginning of Year	\$ 56,944
Contributions	-
Investment Return, Net	16,208
Endowment Net Assets - With Donor Restrictitons,	
End of Year	<u>\$ 73,152</u>
Endowment Net Assets - Without Donor Restrictitons,	
Beginning of Year	\$ 30,882
Contributions	-
Investment Return, Net	8,796
Endowment Net Assets - Without Donor Restrictitons,	
End of Year	<u>\$ 39,678</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.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2021

NOTE 13 – SHIPPING COSTS

Shipping costs of \$93,014 and \$200,307 are included in program costs on the statement of activities for the years ended May 31, 2021 and 2020, respectively.

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 \$27,067 and \$16,192 for the years ended May 31, 2021 and 2020, respectively.

A board member has ownership in an implement dealership. The total amount paid to this company was \$5,872 and \$2,944 for the years ended May 31, 2021 and 2020, 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

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.

To date, management has applied for and received a \$157,596 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. The loan was forgiven in full during the fiscal year.

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 2022 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.

SUPPLEMENTARY INFORMATION

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2021

	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
EXPENSES				
Relief and Assistance				
Clothes	\$ 24,441,963	-	-	\$ 24,441,963
Medical Supplies	1,495,734	-	-	1,495,734
Medical Equipment	587,494	-	-	587,494
Food	6,607,470	-	-	6,607,470
Freight and Shipping	691,310	-	-	691,310
Miscellaneous	655,903	-	-	655,903
Disaster	148,071	-	-	148,071
Household	2,727,288	-	-	2,727,288
School	1,122,099	-	-	1,122,099
Support Missionaries	411,438	-	-	411,438
Purchased Inventory	614,502	-	-	614,502
Total Relief and Assistance	\$ 39,503,272	\$ -	\$ -	\$ 39,503,272

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2021

	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
Other Expenses				
Cost of Goods Sold - Hope for Starving	\$ 136,726	\$ -	\$ -	\$ 136,726
Salaries and Wages	176,161	320,730	172,670	669,561
Employee Benefits	58,685	160,386	58,956	278,027
Payroll Taxes	15,651	17,286	8,468	41,405
Repairs and Maintenance	199,477	495	-	199,972
Supplies	76,404	640	4,084	81,128
Transportation	93,014	-	-	93,014
Gas and Fuel	77,465	-	-	77,465
Insurance	178,258	18	(2,526)	175,750
Depreciation	305,652	-	-	305,652
Contract Services	33,977	11,949	23,664	69,590
Professional Fees	31,052	-	-	31,052
Advertising	1,228	686	72,348	74,262
Dues, Subscriptions, and Licenses	15,686	-	120	15,806
Convention Expense	-	-	500	500
Meetings and Conferences	5,287	-	721	6,008
Travel	11,429	6,720	9,252	27,401
Office Supplies	12,212	7,823	18	20,053
Postage	9,700	473	10,716	20,889
Fundraiser Expense	-	-	27,963	27,963
Special Events	35,121	-	-	35,121
Rent	49,231	-	-	49,231
Taxes	8,000	-	-	8,000
Utilities	66,958	8,029	-	74,987
Telephone	13,933	1,565	965	16,463
Miscellaneous	24,452	-	-	24,452
Bank Charges	1,500	114	-	1,614
Total Other Expenses	\$ 1,637,259	\$ 536,914	\$ 387,919	\$ 2,562,092
Total Expenses	\$ 41,140,531	\$ 536,914	\$ 387,919	\$ 42,065,364

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2020

EXPENSES	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
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	<u>\$ 45,430,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,430,642</u>

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	<u>\$ 1,888,074</u>	<u>\$ 512,874</u>	<u>\$ 418,504</u>	<u>\$ 2,819,452</u>
Total Expenses	<u>\$ 47,318,716</u>	<u>\$ 512,874</u>	<u>\$ 418,504</u>	<u>\$ 48,250,094</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - OGT LOGISTICS, LLC

MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	<u>\$ 345,676</u>	<u>\$ 189,230</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 125,586</u>	<u>\$ 145,268</u>
TOTAL ASSETS	<u>\$ 471,262</u>	<u>\$ 334,498</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 19,448	\$ 7,944
Accrued Payroll	<u>4,739</u>	<u>4,738</u>
TOTAL CURRENT LIABILITIES	<u>\$ 24,187</u>	<u>\$ 12,682</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 447,075</u>	<u>\$ 321,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 471,262</u>	<u>\$ 334,498</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - OGT LOGISTICS, LLC

FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Inside Trip Income	\$ 546,436	\$ 593,141
Outside Trip Income	11,194	-
Gifts-in-Kind	25,175	-
Total Revenue Without Donor Restrictions	<u>\$ 582,805</u>	<u>\$ 593,141</u>
 EXPENSES		
Bank Charges	\$ 20	\$ 65
Contract Services	4,120	-
Depreciation	56,134	58,763
Dues, Subscriptions, and Licenses	8,861	7,840
Gas and Fuel	77,465	56,404
Insurance	58,823	71,023
Miscellaneous	3,656	3,933
Office Supplies	1,943	2,243
Payroll Taxes	8,994	6,082
Professional Fees	1,615	1,827
Repairs and Maintenance	77,704	167,774
Salaries and Wages	110,411	78,044
Supplies	7,338	14,430
Taxes	3,165	358
Telephone	1,830	2,837
Travel	1,367	7,122
Transportation	26,765	121,839
Utilities	2,286	2,375
Total Expenses Without Donor Restrictions	<u>\$ 452,497</u>	<u>\$ 602,959</u>
 NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	 <u>\$ 130,308</u>	 <u>\$ (9,818)</u>
 Other Increase (Decrease) in Net Assets Without Donor Restrictions		
Other Income	\$ -	\$ 3,009
Gain (Loss) on Sale of Assets	(5,049)	(1,016)
Transfer (to) from OGT	-	38,315
Total Other Increase (Decrease) in Net Assets Without Donor Restrictions	<u>\$ (5,049)</u>	<u>\$ 40,308</u>
 NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>\$ 125,259</u>	 <u>\$ 30,490</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	 <u>321,816</u>	 <u>291,326</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	 <u>\$ 447,075</u>	 <u>\$ 321,816</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - HOPE FOR THE STARVING, LLC

MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 97,110	\$ 86,533
Accounts Receivable	60,932	27,615
Inventory	64,969	107,317
TOTAL CURRENT ASSETS	<u>\$ 223,011</u>	<u>\$ 221,465</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	<u>\$ 9,099</u>	<u>\$ 705</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 213,912</u>	<u>\$ 220,760</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 223,011</u>	<u>\$ 221,465</u>

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - HOPE FOR THE STARVING LLC

FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Revenue Without Donor Restrictions		
Sales	\$ 142,176	\$ 244,000
Cost of Goods Sold	136,726	224,751
Net Profit Without Donor Restrictions	<u>\$ 5,450</u>	<u>\$ 19,249</u>
EXPENSES		
Expenses Without Donor Restrictions		
Shipping Costs	\$ 12,285	\$ 17,998
Professional Fees	-	206
Office Supplies	13	-
Total Expenses Without Donor Restrictions	<u>\$ 12,298</u>	<u>\$ 18,204</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (6,848)	\$ 1,045
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>220,760</u>	<u>219,715</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 213,912</u>	<u>\$ 220,760</u>