

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ORPHAN GRAIN TRAIN, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Orphan Grain Train, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orphan Grain Train, Inc. as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

To the Board of Directors
Orphan Grain Train, Inc.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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, the consolidated schedule of functional expenses for the prior year, the statements of financial position and activities – OGT Logistics, LLC, and the statements of financial position and activities – Hope for the Starving, LLC 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.

HR A

HERLEY & REINKE ACCOUNTING, P.C.
Certified Public Accountants

Norfolk, Nebraska
August 30, 2022

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 11,055,944	\$ 7,502,102
Endowment Funds	33,436	39,678
Accounts Receivable	17,550	9,261
Campaign Pledge Receivable - Current Portion	653,967	148,550
Inventory	13,069,837	10,022,121
Investments	290,427	10,229
Total Current Assets	<u>\$ 25,121,161</u>	<u>\$ 17,731,941</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 5,623,212</u>	<u>\$ 5,445,797</u>
DONOR RESTRICTED ASSETS		
Endowment Funds	<u>\$ 465,772</u>	<u>\$ 73,152</u>
OTHER ASSETS		
Campaign Pledge Receivable - Net of Current Portion	<u>\$ 404,472</u>	<u>\$ 217,475</u>
TOTAL ASSETS	<u>\$ 31,614,617</u>	<u>\$ 23,468,365</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts Payable	\$ 23,340	\$ 28,547
Cash Overdraft	224,813	57,618
Accrued Payroll	2,128	8,402
Total Current Liabilities	<u>\$ 250,281</u>	<u>\$ 94,567</u>
NET ASSETS		
Without Donor Restrictions	\$ 25,237,899	\$ 20,107,502
With Donor Restrictions	6,126,437	3,266,296
Total Net Assets	<u>\$ 31,364,336</u>	<u>\$ 23,373,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,614,617</u>	<u>\$ 23,468,365</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Revenue Without Donor Restrictions		
Public Support - Cash Contributions	\$ 3,689,917	\$ 3,306,705
Donated Property and Equipment	-	454,095
Gifts-in-Kind	38,434,899	33,702,985
Public Support - Fish Feed/New Initiatives	38,068	6,519
Special Events Income	6,046	-
Convention Income	124	-
Hope for the Starving Income	230,800	142,176
Miscellaneous Income	112,952	4,979
Investment Income	81,048	94,995
Interest Income	39,444	61,736
OGT Logistics - Outside Trip Income	5,816	11,194
Total Revenue Without Donor Restrictions	<u>\$ 42,639,114</u>	<u>\$ 37,785,384</u>
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>\$ 3,224,856</u>	<u>\$ 1,135,511</u>
Total Revenue and Other Support Without Donor Restrictions	<u>\$ 45,863,970</u>	<u>\$ 38,920,895</u>
EXPENSES		
Expenses Without Donor Restrictions		
Program Services		
Humanitarian Aid and Disaster Relief	\$ 39,762,711	\$ 41,140,531
Management and General	579,972	536,914
Fundraising	390,222	387,919
Loss on Sale of Property and Equipment	668	36,918
Total Expenses Without Donor Restrictions	<u>\$ 40,733,573</u>	<u>\$ 42,102,282</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 5,130,397</u>	<u>\$ (3,181,387)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Public Support - Cash Contributions	\$ 6,084,997	\$ 1,917,616
PPP Loan Forgiveness	-	157,596
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>(3,224,856)</u>	<u>(1,135,511)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,860,141</u>	<u>\$ 939,701</u>
NET CHANGE IN NET ASSETS	\$ 7,990,538	\$ (2,241,686)
NET ASSETS AT BEGINNING OF YEAR	<u>23,373,798</u>	<u>25,615,484</u>
NET ASSETS AT END OF YEAR	<u>\$ 31,364,336</u>	<u>\$ 23,373,798</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 7,990,538	\$ (2,241,686)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation	285,604	305,652
Noncash Contributions of Property and Equipment	-	(454,095)
Loss on Sale of Property and Equipment	668	36,918
Change in Endowment Funds	(386,378)	(25,004)
Change in Accounts Receivable	(8,289)	18,354
Change in Campaign Pledge Receivable	(692,414)	156,643
Change in Inventory	(3,047,716)	4,073,715
Change in Accounts Payable	(5,207)	19,898
Change in Accrued Payroll	(6,274)	1,150
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,130,532</u>	<u>\$ 1,891,545</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Increase) Decrease in Investments	\$ (280,198)	\$ 75,975
Purchase of Property and Equipment	(463,687)	(675,378)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (743,885)</u>	<u>\$ (599,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Cash Overdraft	\$ 167,195	\$ 57,618
Forgiven Notes Payable	-	(157,596)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 167,195</u>	<u>\$ (99,978)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 3,553,842	\$ 1,192,164
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,502,102</u>	<u>6,309,938</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,055,944</u>	<u>\$ 7,502,102</u>
SUPPLEMENTAL INFORMATION		
NONCASH TRANSACTIONS		
Noncash Contributions of Property and Equipment	<u>\$ -</u>	<u>\$ 454,095</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, 2022

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 \$571,891 and \$557,630 for OGT Logistics, LLC, including \$566,075 and \$546,436 that was eliminated in consolidation, which was 1.16% and 1.38% of total revenues in 2022 and 2021, respectively. Revenues attributed to Orphan Grain Train, Inc. were \$230,800 and \$142,176 for Hope for the Starving, LLC, which was .47% and .35% of total revenues in 2022 and 2021, 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, 2022

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	3 to 20 years
Vehicles	5 to 7 years
Buildings & Improvements	15 to 40 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, 2022 and 2021, respectively.

DONATED SERVICES: The total value of non-professional services was \$1,095,963 and \$720,135 based on a \$9 per hour wage rate for the years ended May 31, 2022 and 2021, 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 \$86,994 and \$74,262 for the years ending May 31, 2022 and 2021, 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, 2022

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, 2018, 2019, 2020, and 2021 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 30, 2022, 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, 2022, 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	\$ 194,170
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NOTE 3 – INVESTMENTS

Stocks and cash investments are stated at fair value based on quoted prices in active markets. The investment in the Horst Living Trust is recorded using the equity method due to the lack of marketability. Investments consist of the following at May 31:

	2022 <u>Fair Value</u>	2021 <u>Fair Value</u>
Stocks	\$ 10,468	\$ 9,696
Cash	609	533
Total	<u>\$ 11,077</u>	<u>\$ 10,229</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, 2022

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 \$2,828, and \$3,496, as of May 31, 2022 and 2021, 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 2022 or 2021.

	<u>2022</u>	<u>2021</u>
Pledges Receivable, Current	\$ 89,979	\$ 148,550
Pledges Receivable, Noncurrent	229,565	237,589
Less Discount to Fair Value	(18,030)	(20,114)
Total Pledges Receivable	<u>\$ 301,514</u>	<u>\$ 366,025</u>

Estimated future cash flows of pledges receivable at May 31, 2022 are as follows:

Due	Estimated Cash Flows	Discount	Discounted Value
2023	\$ 89,979	\$ -	\$ 89,979
2024	89,653	(3,586)	86,067
2025	68,637	(5,491)	63,146
2026	61,275	(7,353)	53,922
2027	10,000	(1,600)	8,400
Total	<u>\$ 319,544</u>	<u>\$ (18,030)</u>	<u>\$ 301,514</u>

Pledges receivable reflect unconditional promises to give to the Houston, Texas collection center warehouse campaign and are recorded at net realizable value. There were no pledges written off in 2022 or 2021.

	<u>2022</u>	<u>2021</u>
Pledges Receivable, Current	\$ 563,988	\$ -
Pledges Receivable, Noncurrent	210,656	-
Less Discount to Fair Value	(17,719)	-
Total Pledges Receivable	<u>\$ 756,925</u>	<u>\$ -</u>

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2022

NOTE 5 – PLEDGES RECEIVABLE, CONTINUED

Estimated future cash flows of pledges receivable at May 31, 2022 are as follows:

Due	Estimated Cash Flows	Discount	Discounted Value
2023	\$ 563,988	\$ -	\$ 563,988
2025	63,000	(2,520)	60,480
2026	63,000	(5,040)	57,960
2027	84,656	(10,159)	74,497
Total	<u>\$ 774,644</u>	<u>\$ (17,719)</u>	<u>\$ 756,925</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 498,806	\$ 473,471
Buildings	5,718,194	5,473,635
Warehouse Equipment	163,638	147,638
Bedroom and Kitchen Trailers	157,182	157,182
Domestic Disaster	642,282	554,188
Heavy Trucks and Trailers	338,215	246,215
Vehicles, Light Trucks, and Trailers	747,958	765,008
Equipment – Office and Program	228,345	228,345
	<u>\$ 8,494,620</u>	<u>\$ 8,045,682</u>
Less: Accumulated Depreciation	<u>(2,871,408)</u>	<u>(2,599,885)</u>
Property and Equipment, Net	<u>\$ 5,623,212</u>	<u>\$ 5,445,797</u>

Depreciation expense is \$285,604 and \$305,652 for the fiscal years ended May 31, 2022 and 2021, 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 \$6,700 and \$6,875 to the employees, for the years ended May 31, 2022 and 2021, respectively.

ORPHAN GRAIN TRAIN, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2022

NOTE 9 – LEASES

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 \$12,000 and \$10,800 for the years ended May 31, 2022 and 2021, 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, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

	<u>Copier/Printer</u>	<u>Warehouse</u>	<u>Amount</u>
Year ending May 31:			
2023	\$ 1,336	\$ 12,000	\$ 13,336
2024	<u>1,224</u>	<u>6,000</u>	<u>7,224</u>
	<u>\$ 2,560</u>	<u>\$ 18,000</u>	<u>\$ 20,560</u>

NOTE 10 – RENTAL INCOME

The Organization entered into a 2 year rent agreement on October 20, 2021 for the building located at 605 West Madison Avenue, Norfolk, Nebraska, with rent payments of \$400 per month. Total rental income from this lease for the years ending May 31, 2022 and 2021 was \$2,800 and \$0, respectively.

NOTE 11 – 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, 2022

NOTE 11 – 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, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Stocks	\$ 10,468	\$ 10,468	\$ -	\$ -
Cash	609	609	-	-
The Horst Living Trust	279,350	-	-	279,350
Total	<u>\$ 290,427</u>	<u>\$ 11,077</u>	<u>\$ -</u>	<u>\$ 279,350</u>

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	-	-
Total	<u>\$ 45,229</u>	<u>\$ 10,229</u>	<u>\$ 35,000</u>	<u>\$ -</u>

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Substantially all of the restrictions in net assets as of May 31, 2022 and 2021, are related to funds received for humanitarian aid or other needs of the association.

Net assets with donor restrictions totaled \$6,126,437 and \$3,266,296 as of May 31, 2022 and 2021, respectively. Net assets with donor restrictions consisted of \$465,772 and \$73,152, respectively, in an endowment certificate of deposit that earns interest which is restricted for assistance with the Adopt an Orphanage program.

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, 2022 and 2021, respectively.

NOTE 14 – ENDOWMENT FUNDS

The Organization has three endowments. One endowment consists of a fund established for the Adopt an Orphanage program. Its endowment includes only donor restricted funds. The second 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. The third endowment consists of a fund established for the Hanna House 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 THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

MAY 31, 2022

NOTE 14 – 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, 2022 is as follows:

Endowment Net Assets - With Donor Restrictitons,	
Beginning of Year	\$ 73,152
Contributions	561,722
Distributions	(103,463)
Investment Return, Net	<u>(65,639)</u>
Endowment Net Assets - With Donor Restrictitons,	
End of Year	<u>\$ 465,772</u>
Endowment Net Assets - Without Donor Restrictitons,	
Beginning of Year	\$ 39,678
Distributions	(465)
Investment Return, Net	<u>(5,777)</u>
Endowment Net Assets - Without Donor Restrictitons,	
End of Year	<u>\$ 33,436</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, 2022

NOTE 15 – 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 \$0 and \$27,067 for the years ended May 31, 2022 and 2021, respectively.

A board member has ownership in an implement dealership. The total amount paid to this company was \$0 and \$5,872 for the years ended May 31, 2022 and 2021, 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 16 - 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 \$157,825 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. The loan was forgiven during the prior 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 2023 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, 2022

EXPENSES	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
Relief and Assistance				
Clothes	\$ 20,267,266	\$ -	\$ -	\$ 20,267,266
Medical Supplies	2,143,009	-	-	2,143,009
Medical Equipment	551,159	-	-	551,159
Food	7,532,770	-	-	7,532,770
Freight and Shipping	860,302	-	-	860,302
Miscellaneous	678,548	-	-	678,548
Disaster	504,399	-	-	504,399
Household	2,964,160	-	-	2,964,160
School	789,207	-	-	789,207
Support Missionaries	380,374	-	-	380,374
Purchased Inventory	982,425	-	-	982,425
Total Relief and Assistance	<u>\$ 37,653,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,653,619</u>

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

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2022

	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
OTHER EXPENSES				
Cost of Good Sold - Hope for the Starving	\$ 213,583	\$ -	\$ -	\$ 213,583
Salaries and Wages	188,680	308,384	161,472	658,536
Employee Benefits	62,023	190,703	65,575	318,301
Payroll Taxes	15,094	16,349	7,618	39,061
Repairs and Maintenance	248,615	2,194	-	250,809
Supplies	160,111	204	5,210	165,525
Transportation	218,941	-	-	218,941
Gas and Fuel	132,007	-	-	132,007
Insurance	190,818	(579)	(3,059)	187,180
Depreciation	285,604	-	-	285,604
Contract Services	29,110	29,315	22,697	81,122
Professional Fees	45,608	-	-	45,608
Advertising	7,536	801	78,657	86,994
Dues, Subscriptions, and Licenses	16,962	-	208	17,170
Convention Expense	-	-	1,273	1,273
Meetings and Conferences	18,928	-	408	19,336
Travel	28,920	13,214	12,235	54,369
Office Supplies	17,727	6,752	112	24,591
Postage	8,767	881	11,053	20,701
Fundraiser Expense	-	-	24,398	24,398
Special Events	53,080	-	1,175	54,255
Rent	48,146	-	-	48,146
Taxes	8,251	-	-	8,251
Utilities	77,487	7,676	-	85,163
Telephone	5,719	3,430	1,190	10,339
Miscellaneous	26,179	607	-	26,786
Bank Charges	1,196	41	-	1,237
Total Other Expenses	<u>\$ 2,109,092</u>	<u>\$ 579,972</u>	<u>\$ 390,222</u>	<u>\$ 3,079,286</u>
Total Expenses	<u>\$ 39,762,711</u>	<u>\$ 579,972</u>	<u>\$ 390,222</u>	<u>\$ 40,732,905</u>

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

ORPHAN GRAIN TRAIN, INC.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2021

EXPENSES	Humanitarian Aid and Disaster Relief	Management and General	Fundraising	Total
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	<u>\$ 39,503,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,503,272</u>

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

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 Good Sold - Hope for the 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	<u>\$ 1,637,259</u>	<u>\$ 536,914</u>	<u>\$ 387,919</u>	<u>\$ 2,562,092</u>
Total Expenses	<u>\$ 41,140,531</u>	<u>\$ 536,914</u>	<u>\$ 387,919</u>	<u>\$ 42,065,364</u>

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

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - OGT LOGISTICS, LLC

MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 349,743	\$ 345,676
PROPERTY AND EQUIPMENT, NET	\$ 123,548	\$ 125,586
TOTAL ASSETS	<u>\$ 473,291</u>	<u>\$ 471,262</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 22,635	\$ 19,448
Accrued Payroll	-	4,739
TOTAL CURRENT LIABILITIES	<u>\$ 22,635</u>	<u>\$ 24,187</u>
NET ASSETS		
Without Donor Restrictions	\$ 450,656	\$ 447,075
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 473,291</u>	<u>\$ 471,262</u>

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

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - OGT LOGISTICS, LLC

FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Inside Trip Income	\$ 566,075	\$ 546,436
Outside Trip Income	5,816	11,194
Public Support - Cash Contributions	11,889	-
Gifts-in-Kind	-	25,175
Total Revenue Without Donor Restrictions	<u>\$ 583,780</u>	<u>\$ 582,805</u>
EXPENSES		
Advertising	\$ 22	\$ -
Bank Charges	-	20
Contract Services	425	4,120
Depreciation	52,541	56,134
Dues, Subscriptions, and Licenses	10,950	8,861
Gas and Fuel	132,007	77,465
Insurance	66,219	58,823
Miscellaneous	2,876	3,656
Office Supplies	4,529	1,943
Payroll Taxes	9,888	8,994
Professional Fees	2,296	1,615
Repairs and Maintenance	84,985	77,704
Salaries and Wages	120,629	110,411
Supplies	11,792	7,338
Taxes	3,243	3,165
Telephone	1,770	1,830
Travel	1,871	1,367
Transportation	73,547	26,765
Utilities	2,340	2,286
Total Expenses Without Donor Restrictions	<u>\$ 581,930</u>	<u>\$ 452,497</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	<u>\$ 1,850</u>	<u>\$ 130,308</u>
Other Increase (Decrease) in Net Assets Without Donor Restrictions		
Other Income	\$ 1,731	\$ -
Gain (Loss) on Sale of Assets	-	(5,049)
Total Other Increase (Decrease) in Net Assets Without Donor Restrictions	<u>\$ 1,731</u>	<u>\$ (5,049)</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 3,581</u>	<u>\$ 125,259</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>447,075</u>	<u>321,816</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 450,656</u>	<u>\$ 447,075</u>

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

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF FINANCIAL POSITION - HOPE FOR THE STARVING, LLC

MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 117,305	\$ 97,110
Accounts Receivable	30,247	60,932
Inventory	71,469	64,969
TOTAL CURRENT ASSETS	<u>\$ 219,021</u>	<u>\$ 223,011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	<u>\$ 705</u>	<u>\$ 9,099</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 218,316</u>	<u>\$ 213,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 219,021</u>	<u>\$ 223,011</u>

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

ORPHAN GRAIN TRAIN, INC.

STATEMENTS OF ACTIVITIES - HOPE FOR THE STARVING, LLC

FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Revenue Without Donor Restrictions		
Sales	\$ 230,800	\$ 142,176
Cost of Goods Sold	<u>213,583</u>	<u>136,726</u>
Net Profit Without Donor Restrictions	<u>\$ 17,217</u>	<u>\$ 5,450</u>
EXPENSES		
Expenses Without Donor Restrictions		
Shipping Costs	\$ -	\$ 12,285
Office Supplies	<u>12,813</u>	<u>13</u>
Total Expenses Without Donor Restrictions	<u>\$ 12,813</u>	<u>\$ 12,298</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 4,404	\$ (6,848)
NET ASSETS AT BEGINNING OF YEAR WITHOUT DONOR RESTRICTIONS	<u>213,912</u>	<u>220,760</u>
NET ASSETS AT END OF YEAR WITHOUT DONOR RESTRICTIONS	<u>\$ 218,316</u>	<u>\$ 213,912</u>

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