

MARY'S MEALS USA

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2019

MARY'S MEALS USA

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Mary's Meals USA
Bloomfield, New Jersey

We have audited the accompanying financial statements of Mary's Meals USA (the "**Organization**") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Mary's Meals USA as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Mary's Meals USA
Bloomfield, New Jersey

Report on Summarized Comparative Information

We have previously audited Mary's Meals USA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

Iselin, New Jersey
May 8, 2020

MARY'S MEALS USA

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,193,403	\$ 2,792,634
Accounts receivable and other assets	<u>16,918</u>	<u>16,112</u>
Total assets	<u>\$ 2,210,321</u>	<u>\$ 2,808,746</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 77,851	\$ 37,787
Grants payable	<u>1,515,551</u>	<u>2,500,000</u>
Total liabilities	<u>1,593,402</u>	<u>2,537,787</u>
NET ASSETS		
Without donor restrictions	501,182	270,959
With donor restrictions (<i>Note 3</i>)	<u>115,737</u>	<u>-</u>
Total net assets	<u>616,919</u>	<u>270,959</u>
Total liabilities and net assets	<u>\$ 2,210,321</u>	<u>\$ 2,808,746</u>

MARY'S MEALS USA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 With Summarized Information For 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Revenue and Other Support				
Contributions and support	\$4,591,087	\$ 2,820,992	\$7,412,079	\$5,202,040
Government grants	-	-	-	217,658
Other income	14,734	-	14,734	6,699
Net assets released from restriction <i>(Note 3)</i>	<u>2,705,255</u>	<u>(2,705,255)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>7,311,076</u>	<u>115,737</u>	<u>7,426,813</u>	<u>5,426,397</u>
Expenses				
Program	6,598,747	-	6,598,747	5,101,898
Management and general	344,239	-	344,239	153,392
Fundraising	<u>137,867</u>	<u>-</u>	<u>137,867</u>	<u>241,074</u>
Total expenses	<u>7,080,853</u>	<u>-</u>	<u>7,080,853</u>	<u>5,496,364</u>
CHANGE IN NET ASSETS	230,223	115,737	345,960	(69,967)
Net Assets				
Beginning of year	<u>270,959</u>	<u>-</u>	<u>270,959</u>	<u>340,926</u>
End of year	<u>\$ 501,182</u>	<u>\$ 115,737</u>	<u>\$ 616,919</u>	<u>\$ 270,959</u>

MARY'S MEALS USA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 345,960	\$ (69,967)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
(Increase) decrease in		
Accounts receivable and other assets	(806)	1,497,911
Increase (decrease) in		
Accounts payable and accrued expenses	40,064	3,262
Grants payable	<u>(984,449)</u>	<u>(861,323)</u>
Net cash provided by (used for) operating activities	<u>(599,231)</u>	<u>569,883</u>
Net increase (decrease) in cash and cash equivalents	(599,231)	569,883
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,792,634</u>	<u>2,222,751</u>
End of year	<u>\$2,193,403</u>	<u>\$2,792,634</u>

MARY'S MEALS USA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 With Summarized Information For 2018

	2019						
	<u>Child Food Program</u>	<u>Education & Awareness Program</u>	<u>Total Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018</u>
Salaries, taxes, & benefits	\$ -	\$ 421,560	\$ 421,560	\$ 272,576	\$ 72,168	\$ 766,304	\$ 430,348
Grants	6,058,491	-	6,058,491	-	-	6,058,491	4,878,132
Professional fees	-	11,458	11,458	13,808	1,990	27,256	18,628
Occupancy	-	2,089	2,089	12,372	2,171	16,632	16,192
Transportation and travel	-	40,108	40,108	13,389	4,802	58,299	29,134
Office, IT and telephone	-	30,078	30,078	10,488	3,517	44,083	22,832
Printing and postage	-	32,383	32,383	3,790	5,856	42,029	40,225
Miscellaneous	-	<u>2,580</u>	<u>2,580</u>	<u>17,816</u>	<u>47,363</u>	<u>67,759</u>	<u>60,873</u>
Total expenses - 2019	<u>\$ 6,058,491</u>	<u>\$ 540,256</u>	<u>\$ 6,598,747</u>	<u>\$ 344,239</u>	<u>\$ 137,867</u>	<u>\$ 7,080,853</u>	
Total expenses - 2018	<u>\$ 4,878,132</u>	<u>\$ 223,766</u>	<u>\$ 5,101,898</u>	<u>\$ 153,392</u>	<u>\$ 241,074</u>		<u>\$ 5,496,364</u>

MARY'S MEALS USA

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

(1) ORGANIZATION AND PURPOSE

Mary's Meals USA (the "**Organization**") is a not-for-profit 501(c)(3) organization that works with Mary's Meals International, a charity registered in Scotland, to make education more accessible to children suffering from chronic hunger and poverty by offering a daily meal in places of education in the developing world.

The Organization's purpose is to raise donations and support in the United States to **(i)** provide a daily meal in a place of education for children in the world's poorest communities; **(ii)** occasionally provide relief for those suffering, in any part of the world, as a result of humanitarian crises, especially by providing care for orphaned, abandoned and vulnerable children; and **(iii)** raise awareness of poverty issues through education. In the regular course of its operations, the Organization makes certain grants to Mary's Meals International and its programs for this purpose.

The Organization's mission is to enable people to offer their money, goods, skills, time, or prayer, and through this involvement, provide the most effective help to those suffering the effects of extreme poverty in the world's poorest communities.

The Organization's vision is that every child receives one daily meal in their place of education and that all those who have more than they need, share with those who lack even the most basic things.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

INCOME TAXES

The Organization has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization which is not a private foundation under Section 509(a) of the Code. Certain unrelated business income is subject to federal income taxes.

Management has reviewed the tax positions for each of the open tax years (2016 - 2018) or expected to be taken in the Organization's 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

CASH AND CASH EQUIVALENTS

The Organization considers money market funds to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("**ASC**") 825, "**Financial Instruments**" identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

MARY'S MEALS USA

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

FURNITURE AND EQUIPMENT

Property and equipment are recorded at cost. The Organization's policy is to capitalize fixed assets with a purchase of \$1,000 or more. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The depreciation years utilized by major asset categories are as follows:

<u>Description</u>	<u>Year</u>
Leasehold improvements	2
Furniture and fixtures	5-7
Equipment	3

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. As of December 31, 2019, and 2018, all fixed assets in use were fully depreciated.

GRANTS PAYABLE

The Organization records grants as liabilities upon approval by the Board of Directors. All grants payable as of year-end are due to be paid in the first quarter of the subsequent year.

NET ASSETS

The net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of the Organization.

With Donor Restrictions – Net assets that are subject to donor-imposed stipulations. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as ***“net assets released from restrictions.”***

REVENUE AND REVENUE RECOGNITION

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met.

Contributions and promises to give are considered available for general use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts-in-kind are recorded at fair value on the date of receipt.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization determined the allocation of salaries and related expenses based on time studies performed during the year, and further allocated certain other expenses based on employee job description and location.

MARY'S MEALS USA

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized financial information was derived.

NEW ACCOUNTING PRONOUNCEMENTS - ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. ASU 2014-09 was implemented in 2019 and did not have a material effect on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. This ASU should be applied using a modified prospective basis. ASU 2018-08 was implemented in 2019 and did not have a material effect on the financial statements.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

(3) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Program services	<u>\$115,737</u>	<u>\$ -</u>

Net assets totaling \$2,705,255 were released from restriction in 2019 by incurring expenses which satisfied the restricted purpose.

MARY'S MEALS USA

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(4) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor restrictions.

Financial Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,193,403	\$ 2,792,634
Interest receivable	<u>569</u>	<u>1,229</u>
Total financial assets available within one year	<u>\$ 2,193,972</u>	<u>\$ 2,793,863</u>

(5) COMMITMENTS

The Organization leases office space in New Jersey under an operating lease which expired on February 14, 2018. The Organization is currently renting this office space on a month-to-month basis. Rent expense for the years ended December 31, 2019 and 2018 was \$13,238 and \$13,130, respectively.

(6) PENSION PLAN

In September 2019, the Organization started a plan qualified under Section 403(b) that covers all eligible employees. Contributions to the plan are made at the discretion of the Board of Directors and are limited to a maximum of 6% of the employee's annual salary.

During the year ended December 31, 2019, the Organization contributed \$4,635 on behalf of the employees to the plan.

(7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 8, 2020, have been evaluated in the preparation of the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus ("**COVID – 19**") emerged globally. As a result, there have been mandates from federal, state and local authorities resulting from an overall decline in economic activity. The ultimate impact of COVID – 19 on the Organization's operations is not reasonably estimable at this time.