

MARY'S MEALS USA

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 5, 2021

MARY'S MEALS USA

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$2,361,263	\$ 2,193,403
Grants receivable	300,000	-
Accounts receivable and other assets	<u>18,921</u>	<u>16,918</u>
Total assets	<u>\$2,680,184</u>	<u>\$ 2,210,321</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 98,201	\$ 77,851
Grants payable	<u>1,840,000</u>	<u>1,515,551</u>
Total liabilities	<u>1,938,201</u>	<u>1,593,402</u>
NET ASSETS		
Without donor restrictions	696,663	501,182
With donor restrictions (<i>Note 3</i>)	<u>45,320</u>	<u>115,737</u>
Total net assets	<u>741,983</u>	<u>616,919</u>
Total liabilities and net assets	<u>\$2,680,184</u>	<u>\$ 2,210,321</u>

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 With Summarized Information For 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Revenue and Other Support				
Contributions and support	\$5,537,079	\$ 3,175,993	\$8,713,072	\$7,412,079
Government grants	500,000	-	500,000	-
Other income	2,908	-	2,908	14,734
Net assets released from restriction <i>(Note 3)</i>	<u>3,246,410</u>	<u>(3,246,410)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>9,286,397</u>	<u>(70,417)</u>	<u>9,215,980</u>	<u>7,426,813</u>
Expenses				
Program	8,490,029	-	8,490,029	6,598,747
Management and general	433,322	-	433,322	344,239
Fundraising	<u>167,565</u>	<u>-</u>	<u>167,565</u>	<u>137,867</u>
Total expenses	<u>9,090,916</u>	<u>-</u>	<u>9,090,916</u>	<u>7,080,853</u>
CHANGE IN NET ASSETS	195,481	(70,417)	125,064	345,960
Net Assets				
Beginning of year	<u>501,182</u>	<u>115,737</u>	<u>616,919</u>	<u>270,959</u>
End of year	<u>\$ 696,663</u>	<u>\$ 45,320</u>	<u>\$ 741,983</u>	<u>\$ 616,919</u>

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 125,064	\$ 345,960
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Increase in		
Accounts receivable and other assets	(2,003)	(806)
Grants receivable	(300,000)	-
Increase (decrease) in		
Accounts payable and accrued expenses	20,350	40,064
Grants payable	<u>324,449</u>	<u>(984,449)</u>
Net cash provided by (used for) operating activities	<u>167,860</u>	<u>(599,231)</u>
Net increase (decrease) in cash and cash equivalents	167,860	(599,231)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,193,403</u>	<u>2,792,634</u>
End of year	<u>\$2,361,263</u>	<u>\$2,193,403</u>

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 With Summarized Information For 2019

	<u>2020</u>						
	<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>2019</u>
Salaries, taxes, & benefits	\$ -	\$ 648,422	\$ 648,422	\$ 347,141	\$ 90,524	\$ 1,086,087	\$ 766,304
Grants	7,722,249	-	7,722,249	-	-	7,722,249	6,058,491
Professional fees	-	22,703	22,703	18,954	3,169	44,826	27,256
Occupancy	-	2,078	2,078	14,780	1,169	18,027	16,632
Transportation and travel	-	6,135	6,135	754	694	7,583	58,299
Office, IT and telephone	-	33,194	33,194	17,771	4,634	55,599	44,083
Printing, postage and promotion	-	43,790	43,790	23,444	6,113	73,347	42,029
Miscellaneous	-	11,458	11,458	10,478	61,262	83,198	67,759
Total expenses - 2020	<u>\$ 7,722,249</u>	<u>\$ 767,780</u>	<u>\$ 8,490,029</u>	<u>\$ 433,322</u>	<u>\$ 167,565</u>	<u>\$ 9,090,916</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>

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

(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 (2017 - 2019) or expected to be taken in the Organization's 2020 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.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

FURNITURE AND EQUIPMENT

Property and equipment are recorded at cost. The Organization’s policy is to capitalize fixed assets with a purchase of \$1,500 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, 2020, and 2019, all fixed assets in use were fully depreciated.

GRANTS RECEIVABLE

Grants and contracts receivable consist of grants from government agencies. At December 31, 2020, all amounts are to be received within one year, and as management considers all grants and contracts fully collectible, no allowance for uncollectible grants and contracts is recorded.

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.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

A portion of the Organization’s revenue is derived from a fixed-fee federal grant, which is conditioned upon certain performance and milestone requirements. Amounts received are recognized as revenue when the Organization met the performance milestones in compliance with specific grant provision. Amounts received prior to meeting the performance requirements are reported as refundable advances in the statement of financial position.

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.

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, 2019 from which the summarized financial information was derived.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization plans to adopt the new ASU at the required implementation date.

(3) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program services	<u>\$45,320</u>	<u>\$115,737</u>

Net assets totaling \$3,246,410 were released from restriction in 2020 by incurring expenses which satisfied the restricted purpose.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$2,361,263	\$ 2,193,403
Grants receivable	300,000	-
Interest receivable	<u>17</u>	<u>569</u>
Total financial assets available within one year	<u>\$2,661,280</u>	<u>\$ 2,193,972</u>

(5) COMMITMENTS

The Organization leases office space in New Jersey under an operating lease which expires on March 31, 2022. Rent expense for the years ended December 31, 2020 and 2019 was \$13,641 and \$13,238, respectively.

Future minimum rental commitments under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$14,034
2022	<u>3,530</u>
	<u>\$17,564</u>

(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 years ended December 31, 2020 and 2019, respectively, the Organization contributed \$20,534 and \$4,635 on behalf of the employees to the plan.

(7) CONTINGENCY

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Organization’s funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 5, 2021, have been evaluated in the preparation of the financial statements.