The Global Hunger Project and Affiliates

Consolidated Financial Report
December 31, 2017

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Global Hunger Project

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Global Hunger Project and its affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of the Affiliates, which statements reflect total assets constituting 44% of consolidated total assets as of December 31, 2017, and total revenues constituting 60% of the consolidated total revenues for the year then ended. All of those financial statements were audited by other auditors whose report has been furnished to us, some of which were audited by other auditors in accordance with International Standards of Accounting promulgated by the International Auditing and Assurance Standards Board; and our opinion, insofar as it relates to the amounts included for these affiliates, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors.

We have applied audit procedures on the conversion adjustments to the financial statements of the affiliates that were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for these affiliates, prior to these conversion adjustments, is based solely on the reports of the other auditors. 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 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 auditor's 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 auditor considers 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Global Hunger Project and Affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2017 opening net asset balances have been restated to correct an error within net asset classification. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
February 27, 2019

The Global Hunger Project and Affiliates

Consolidated Statement of Financial Position
December 31, 2017

Assets	
Cash and cash equivalents	$ 6,156,614
Promises to give, net (Notes 2 and 11)	8,321,320
Microfinance loans, net (Note 3)	1,408,862
Investments (Note 4)	1,669,177
Other assets	524,080
Property and equipment, net (Note 5)	788,892
	$ 18,868,945
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 2,149,704
Deferred rent	16,208
Total liabilities	2,165,912
Commitments and contingency (Notes 7, 8 and 9)	
Net assets:	
Unrestricted	7,629,969
Temporarily restricted (Note 6)	9,073,064
	16,703,033
	$ 18,868,945

See notes to consolidated financial statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total 2017
Support and revenue:			
Contributions (Note 6)	$ 2,739,745	$ 15,954,009	$ 18,693,754
Microfinance revenue (Note 3)	276,022	-	276,022
Investment income (Note 4)	72,724	-	72,724
Other	248,530	-	248,530
Released from restrictions (Note 6)	12,448,535	(12,448,535)	-
Total support and revenue	15,785,556	3,505,474	19,291,030
Expenses:			
Program services:			
Education and advocacy	769,315	-	769,315
Africa	9,656,453	-	9,656,453
Asia	3,560,459	-	3,560,459
Latin America	926,143	-	926,143
Total program services	14,912,370	-	14,912,370
Supporting services:			
Management and general	1,649,390	-	1,649,390
Fundraising	1,240,258	-	1,240,258
Total supporting services	2,889,648	-	2,889,648
Total expenses	17,802,018	-	17,802,018
Change in net assets from operations	(2,016,462)	3,505,474	1,489,012
Foreign currency translation gain	342,332	-	342,332
Change in net assets	(1,674,130)	3,505,474	1,831,344
Net assets:			
Beginning (as restated Note 12)	9,304,099	5,567,590	14,871,689
Ending	$ 7,629,969	$ 9,073,064	$ 16,703,033

See notes to consolidated financial statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services					Supporting Services			
	Education and Advocacy	Africa	Asia	Latin America	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017
Direct investment	$ -	$ 5,274,187	$ 1,620,099	$ 54,477	$ 6,948,763	$ -	$ -	$ -	$ 6,948,763
Salaries and benefits	415,561	2,489,802	1,088,866	379,731	4,373,960	857,679	574,697	1,432,376	5,806,336
Rent and occupancy	78,756	232,303	104,353	46,121	461,533	92,699	34,162	126,861	588,394
Professional services	42,233	539,960	126,911	219,076	928,180	330,446	227,608	558,054	1,486,234
Production, design, printing and conferences	5,258	86,884	256,682	18,107	366,931	7,636	249,226	256,862	623,793
Travel and related costs	59,792	231,270	197,070	49,369	537,501	53,575	60,899	114,474	651,975
Depreciation and amortization	27,564	129,877	30,046	7,851	195,338	36,751	13,781	50,532	245,870
Office	29,140	199,730	65,381	19,897	314,148	40,479	15,016	55,495	369,643
Telephone	1,356	75,961	18,451	2,380	98,148	17,810	4,841	22,651	120,799
Corporate	29,495	54,843	49,697	13,809	147,844	97,279	14,622	111,901	259,745
Grants	-	25,753	-	100,000	125,753	-	-	-	125,753
Data processing	79,442	30,037	1,092	13,132	123,703	110,860	40,607	151,467	275,170
Shipping	718	2,177	1,811	2,193	6,899	4,176	4,799	8,975	15,874
Provision for doubtful loans – microfinance	-	283,669	-	-	283,669	-	-	-	283,669
Total expenses	$ 769,315	$ 9,656,453	$ 3,560,459	$ 926,143	$ 14,912,370	$ 1,649,390	$ 1,240,258	$ 2,889,648	$ 17,802,018

See notes to consolidated financial statements.

The Global Hunger Project and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	$ 1,831,344
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Deferred rent	(171,924)
Depreciation and amortization	245,870
Change in allowance for doubtful pledges and discount on multi-year pledges	(2,670)
Doubtful loans expense – microfinance	283,669
Increase in allowance for doubtful loans – microfinance	109,007
Disbursements on microfinance loans, net	(353,706)
Increase in cash surrender value of life insurance	(51,322)
Changes in assets and liabilities:	
Increase in promises to give	(3,284,923)
Decrease in other assets	131,018
Increase in accounts payable and accrued expenses	158,870
Net cash used in operating activities	(1,104,767)
Cash flows from investing activities:	
Proceeds from sale and maturity of investments	80,343
Purchase of property and equipment	(313,675)
Net cash used in investing activities	(233,332)
Net decrease in cash and cash equivalents	(1,338,099)
Cash and cash equivalents:	
Beginning	7,494,713
Ending	$ 6,156,614

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Global Hunger Project is a not-for-profit, nonmember, public benefit corporation organized and existing under the laws of California. It delivers and supports programs through certain affiliated entities in Africa, South Asia and Latin America (Program Country entities). The Global Hunger Project also co-operates with certain partner entities in developed countries that use the name "The Hunger Project" (Partner Country entities) to jointly fund programs operated by, and other activities of, The Global Hunger Project and its Program Country entities. The Global Hunger Project and affiliated Program Country entities operate globally and are hereafter referred to as "The Hunger Project" (THP).

THP is a strategic organization and global movement whose mission is to end hunger and poverty by pioneering sustainable, grassroots, women-centered strategies and advocating for their widespread adoption in countries throughout the world. In Africa, South Asia and Latin America, THP's programs empower people to create lasting society-wide progress in health, education, nutrition, family income, gender equality and environmental sustainability. THP fully supports the United Nations Sustainable Development Goals (SDGs). The essential elements of THP's gender-focused, community-led development approach include mobilizing village clusters for self-reliant action, empowering women as key change agents and forging effective partnerships with local government.

Partner Country entities: Partner Country entities are organized and registered according to the laws of the countries in which they were formed. The financial position and activities of Partner Country entities, which are based in developed countries outside of the United States (e.g., THP-Australia, THP-Germany, THP-Netherlands, etc.), are not included in these consolidated financial statements. Funds received from and/or pledged by Partner Country entities during the reporting period are reported as revenue of the consolidated entity (see Consolidation policy in this Note 1). These entities are not controlled by The Global Hunger Project: they have separate boards, and no funding is provided to them. However, there are charter agreements in place for the use of THP's name. These agreements can be terminated at any time. Among other activities, the Partner Country entities raise funds that, less their own expenses, are applied to THP programs.

Program Country entities: The financial positions of Program Country entities that implement programs in the developing world (e.g., THP-Senegal, THP-Bangladesh) are consolidated into these financial statements. Each entity is registered according to the laws of its own country and is led by a Country Director who reports directly to a Vice President or the Chief Executive Officer of The Global Hunger Project. All Program Country Directors are citizens and residents of their respective countries. They have individual contractual agreements with and are compensated directly from The Global Hunger Project. The Program Country Directors' contracts can be cancelled for cause or otherwise at any time with proper notice. The affiliated Program Country entities are effectively controlled by The Global Hunger Project Inc. as they receive substantially all their funding based on an annual operational program budget approved by The Global Hunger Project.

A summary of THP's significant programs is as follows:

Education and Advocacy: Influencing policymakers to adopt key elements of THP's methodology and educating a worldwide constituency on gender-focused, community-led developments are high priorities of THP. During the year ended December 31, 2017, THP played a leadership role within civil society networks for food and nutrition security, water and sanitation, maternal and child health, halting child marriage and gender-based violence; and local governance with a strong emphasis on gender equality and the empowerment of women in all these sectors. During the year ended December 31, 2017, THP expanded the Movement for Community-led Development, which unites a broad range of international development organizations that fundamentally believe integrated and community-led solutions at the local level are critical to the effectiveness and sustainability of THP's work to end hunger and extreme poverty.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Africa: In Africa, THP implements an integrated, people-centered approach called the Epicenter Strategy in Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique, Senegal and Uganda, with offices in all eight of these countries.

The Epicenter Strategy mobilizes the population of clusters of villages to work together to create and run their own programs to meet basic needs. The centerpiece of the strategy is an L-shaped building that houses the community's programs for health, education, food security and economic development. Communities launch village-level projects to generate their own income and build classrooms, food storage facilities and nurses quarters to ensure ready access to health care.

During the year ended December 31, 2017, the Epicenter Strategy reached 1.7 million people across Africa, the majority of whom live in 107 of THP's epicenters. The Microfinance Program, a component of the integrated Epicenter Strategy, had over 60,000 active participants as of December 31, 2017, with $1,408,862 in current loans and $983,637 in savings.

Asia: In South Asia, THP operates programs in India and Bangladesh. In India, THP focuses on empowering the women leaders elected to village councils to be effective agents of change. The strategy builds their capacity through distinct forms of training, advocacy and federation-building each year of their five-year tenures. During the year ended December 31, 2017, over 10,000 elected women leaders participated in federation-strengthening workshops. These workshops support the women as they take action to bring water, health, education and better incomes to their villages. In Bangladesh, the centerpiece of THP's strategy is the training and ongoing support of volunteer animators and youth leaders, who organize projects such as campaigns against early marriage, dowry and violence against women; education programs for safe drinking water, nutrition and sanitation; birth registration for rural communities; and income-generating activities.

Latin America: THP operates programs in Mexico and works in partnership with an established organization in Peru that shares THP's vision and philosophy. In Mexico, THP, in partnership with local government, trains catalysts (volunteer leaders) who launch village-level projects for the end of hunger in their communities. In Peru, THP works with a partner organization, Chirapaq, a coalition of indigenous organizations who are promoting access to opportunities, the exercise of women's and indigenous rights and collaboration with local and regional governments.

A summary of the significant accounting policies of THP follows:

Basis of accounting: THP maintains its accounting records and prepares its consolidated financial statements on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Consolidation policy: These financial statements report the consolidated activities of The Global Hunger Project and its affiliated Program Country entities. Since both The Global Hunger Project and its Program Country entities may receive funding from Partner Country entities, funds received from and/or pledged by Partner Country entities during the reporting period are reported as revenue of the consolidated entity. All significant transactions and balances between The Global Hunger Project and its Program Country entities have been eliminated in consolidation.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the FASB ASC, Financial Statements of Not-for-Profit Organizations, THP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are net assets that are neither permanently restricted, nor temporarily restricted by donor-imposed stipulations, and include amounts controlled by either THP or its Program Country Affiliates' Boards of Directors.

Temporarily restricted net assets result from contributions with usage limited by donor-imposed stipulations that either expire by the passage of time or which are fulfilled and removed by actions of THP pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions with usage limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or otherwise removed by THP's actions. THP had no permanently restricted net assets at December 31, 2017.

Cash and cash equivalents: For the purpose of reporting cash flows, THP considers cash equivalents to be any funds and accounts with an original maturity less than 90 days. Amounts held internationally by program country entities total $5,176,427 at December 31, 2017 and are included in cash and cash equivalents on the accompanying consolidated statement of financial position.

Financial risk: THP maintains its cash in bank deposit accounts which, at times, may exceed government-insured limits. THP has not experienced any losses in such accounts. THP believes it is not exposed to any significant financial risk on cash.

Promises to give: Promises to give are comprised of cash held and due from affiliated Partner Country entities at December 31, 2017, as well as U.S. promises to give. Unconditional promises to give are recognized as support in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance for doubtful promises to give by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

Microfinance loans: Microfinance loans (loans) are made by several Program Country entities and recorded as a receivable when funds are initially paid to the borrower and as a reduction of the receivable upon repayment by the borrower. The loans are classified based on age of loan, regardless of whether the loan belongs to a group or individual. The allowance for loan losses is monitored by management to maintain accurate loan portfolio balances. The loans are recorded at the principal amount, net of allowances for doubtful loans. Loan losses are recorded when management believes that the principal is unlikely to be collected. Interest income on the loans is recognized on the accrual basis as earned. The allowance for doubtful loans at December 31, 2017 was $262,270.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Certificates of deposit totaling $149,896 and fixed deposit receipts totaling $144,433 are not subject to the provisions of fair value measurements as they are recorded at cost. Cash surrender value of the life insurance policy in the amount of $1,374,847 is also excluded from the fair value measurements since it is carried at cash surrender value and not fair value.

Property and equipment: THP capitalizes all property and equipment with a cost of $5,000 or more. Property and equipment are recorded at cost and depreciated over their useful life using the straight-line method of depreciation. Leasehold improvements are recorded at cost and amortized over the lesser of the useful life or lease term on a straight-line basis.

Valuation of long-lived assets: THP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. THP had no impairments of long-lived assets during the year ended December 31, 2017.

Other assets: Other assets held internationally in Program Country entities total $372,552 at December 31, 2017 and are included in other assets on the accompanying consolidated statement of financial position.

Deferred rent: The Global Hunger Project has a lease agreement for rental space in New York City. Under the terms of the lease agreement, The Global Hunger Project occupied its office space for a period of free rent during the initial rental period. The benefits that The Global Hunger Project received from the free rent, allowance and rent increases in future years, are being allocated on a straight-line basis over the term of the lease. The difference between the expense and the cash payments is reported as deferred rent.

Support and revenue: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Foreign currency translations: Financial statements of Program Country entities’ activities are translated into U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates for revenue and expenses during the reporting period. Net gains on foreign currency translation was $342,332 for the year ended December 31, 2017.

Expenses: Direct costs associated with specific programs are recorded as direct program expenses. Personnel costs, depreciation, occupancy, office, data processing and certain corporate expenses are allocated to programs based on employee time distributions.

Direct investment expenses: Direct investment expenses are the costs associated with implementing programs at the country level in Africa, South Asia and Latin America. They include, for example, costs related to food security activities; construction of epicenter buildings and facilities; and workshops to train partners in areas such as leadership, income generation and nutrition, etc. The costs of constructing Epicenter buildings and facilities in the Program Country entities are expensed in the year they are incurred since they are considered a gift to the community and not a THP asset.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: THP is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, THP qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. THP did not have any net unrelated business income for the year ended December 31, 2017. Management has evaluated THP’s tax positions and has concluded that THP has taken no uncertain tax positions that require disclosure.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of the pending adoption of the new standard on the consolidated 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*. This ASU clarifies the guidance presented in Topic 958, Not-for-Profit Entities, of the FASB ASC for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU may be adopted using either: (a) the modified prospective basis, with no restatement of opening net assets or (b) the full retrospective method. Under the modified prospective basis, the ASU is applied to agreements that are not completed as of the effective date, with the ASU's guidance applied onto the portion of revenue or expenses not yet recognized, or entered into after the effective date. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

Subsequent events: Subsequent events have been evaluated through February 27, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2. Promises to Give

Balances at December 31, 2017, consisted of promises to give in the following countries:

United States	$ 5,472,300
Affiliated Partner Countries	2,638,375
Bangladesh	104,295
Benin	234,588
Senegal	10,130
Mexico	4,733
Mozambique	1,340
	8,465,761
Less provision for doubtful promises	(84,640)
Less discount to present value	(59,801)
	$ 8,321,320

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of 1 - 2%. Unconditional promises to give at December 31, 2017 consisted of the following:

Promises to give in less than one year	$ 5,431,581
Promises to give in one to five years	2,884,230
Promises to give more than five years	149,950
	$ 8,465,761

Note 3. Microfinance Loans

Balances at December 31, 2107 consisted of Microfinance loans from the following countries:

Benin	$ 689,629
Ghana	444,351
Burkina Faso	389,074
Senegal	115,334
Mozambique	32,744
	1,671,132
Less allowance for doubtful loans	(262,270)
	$ 1,408,862

Microfinance loans allow poor people, usually excluded from the traditional banking system, to obtain credit to develop microenterprises and build savings. The loans are made for periods of six months to one year. The loans may be made to an individual or a group. The outstanding loans have annual interest rates ranging from 10% to 36%. The interest earned on the loans is reinvested in the microfinance programs for the benefit of the community served after all expenses are paid.

The terms of the microfinance loan also require a minimum savings deposit of 10% of the loan principal, which is required prior to disbursement of the funds. Individuals in the community may continue to hold savings balances once their loans are repaid. Cash is held intentionally by the microfinance programs of $1,446,302 to cover the savings balances on deposit and to have funds available for microfinance loans.

Note 3. Microfinance Loans (Continued)

Balances at December 31, 2017 consisted of savings deposits from the following countries:

Benin	$	383,061
Ghana		230,792
Burkina Faso		259,871
Senegal		104,911
Mozambique		5,002
	$	983,637

Savings deposits are included in accounts payable and accrued expenses on the consolidated statement of financial position.

Balances at December 31, 2017 consisted of allowance for doubtful microfinance loans from the following countries:

		Allowance at 12/31/2016		Loans written off against allowance		Provision for loan losses		Allowance at 12/31/2017
Benin	$	(30,195)	$	30,195	$	(40,379)	$	(40,379)
Ghana		(16,950)		16,950		(38,332)		(38,332)
Burkina Faso		(56,072)		56,072		(65,287)		(65,287)
Senagal		(50,046)		50,046		(104,890)		(104,890)
Mozambique		-		-		(13,382)		(13,382)
	$	(153,263)	$	153,263	$	(262,270)	$	(262,270)

An addition for an allowance is made when management believes the microfinance loan may become uncollectable. Loans are written off against the allowance after five (5) years of no repayment unless another specific event indicates that the loan is uncollectable. Management reviews all loans periodically and calculates an allowance for the value of the loan principle plus interest based on the experience in each country.

Allowance for doubtful microfinance loan amounts are calculated as follows:

	Over 30 days	Over 90 days	Over 180 days	Over 270 days	Over 1 year
Benin	0%	40%	80%	80%	100%
Ghana	27%	100%	100%	100%	100%
Burkina Faso	0%	40%	80%	100%	100%
Senegal	0%	40%	60%	60%	100%
Mozambique	25%	25%	50%	50%	100%

All loans outstanding at December 31, 2017 are due within the next 12 months.

Loans are generally considered past due when the principle and interest have not been received for more than one year after the due date unless there are extenuating circumstances.

Note 3. Microfinance Loans (Continued)

An age analysis of past due loans as of December 31, 2017 is as follows:

	Accrues Interest					Interest does not accrue	
	Current	Over 30 days	Over 90 days	Over 180 days	Over 270 days	Over 1 year	2017 Balance
Benin	$ 626,020	$ 2,910	$ 6,096	$ 38,847	$ -	$ 15,756	$ 689,629
Ghana	394,986	1,380	2,243	5,665	11,207	28,870	444,351
Burkina Faso	306,689	16,062	654	3,218	-	62,451	389,074
Senegal	10,444	-	-	-	-	104,890	115,334
Mozambique	19,362	-	-	-	-	13,382	32,744
	$ 1,357,501	$ 20,352	$ 8,993	$ 47,730	$ 11,207	$ 225,349	$ 1,671,132

Loan Origination/Risk management:

The loans are made at the epicenter level by a credit committee consisting of community leaders who review the proposals presented and the likelihood of success. Management of each program country review and approves of the policies governing the loan origination, loan delinquencies and past due loans. Each program country also monitors the past due loan amounts and the Global Office reviews the results on a quarterly basis through reports received from the program country entities. The program country management also trains microfinance partners in business concepts as well as leadership and entrepreneurial skills. All the programs have the goal of alleviating world hunger.

Interest income ceases to be recognized on any loan that has not been repaid at loan maturity.

Included in the unrestricted net assets is $1,849,040 related to the microfinance programs. These unrestricted net assets may be subject to restrictions based upon laws and requirements in each of the countries where the microfinance program operates. At December 31, 2017, no known restrictions exist.

Note 4. Investments

Balances at December 31, 2017 consisted of Investments in the following countries:

United States Cash surrender value of life insurance policy (Note 10)	$ 1,374,847
United States Certificate of deposit due February 19, 2018	149,896
Bangladesh Fixed Deposit Receipts	144,433
	$ 1,669,176

Investment income for the year ended December 31, 2017, consists of the following:

Interest income – India	$ 8,061
Investment income - Bangladesh	12,673
Increase in cash surrender value of life insurance policy	51,322
Interest income - U.S.	668
	$ 72,724

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2017 consisted of the following:

	Estimated Lives	United States	Program Country Entities	Total
Leasehold improvements	Lease term	$ 6,853	$ -	$ 6,853
Furniture and equipment	3 to 10 years	127,710	2,502,122	2,629,832
		134,563	2,502,122	2,636,685
Less: accumulated depreciation		(104,402)	(1,743,391)	(1,847,793)
		$ 30,161	$ 758,731	$ 788,892

Depreciation and amortization expense for the year ended December 31, 2017 was $245,870.

Note 6. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended December 31, 2017, are as follows:

	Balance December 31, 2016	Reclassification Adjustment	Balance December 31, 2016	Additions	Released	Balance December 31, 2017
Time restricted:						
Promises to give	$ 3,561,524	$ 273,309	$ 3,834,833	$ 10,275,943	$ (9,278,050)	$ 4,832,726
Program restricted:						
Africa	55,000	(30,000)	25,000	2,264,415	(525,000)	1,764,415
Bangladesh	441,183	-	441,183	1,611,914	(1,077,598)	975,499
Benin	-	-	-	43,888	-	43,888
Burkina Faso	-	-	-	450,000	(60,000)	390,000
Ghana	38,570	(10,000)	28,570	-	(28,570)	-
India	53,529	8,797	62,326	1,175,472	(1,135,317)	102,481
Mozambique	76,455	955,223	1,031,678	-	(200,000)	831,678
Peru	100,000	44,000	144,000	-	(144,000)	-
Uganda	-	-	-	132,377	-	132,377
	$ 4,326,261	$ 1,241,329	$ 5,567,590	$ 15,954,009	$ (12,448,535)	$ 9,073,064

Note 7. Leases

THP had a lease for office space in New York City, which would have expired on March 31, 2018. This lease was terminated in November 2017 with no further rent owed after November 2017 and the space vacated in November 2017. At the same time, THP assigned to the landlord the sublease of a portion of that space for its remaining term with no further rent due to THP. The landlord required in lieu of a security deposit, that THP have a letter of credit for approximately $150,000. The letter of credit was secured by a certificate of deposit, which is included in investments on the consolidated statement of financial position. As a result of the termination of the lease, the landlord approved the release of the letter of credit in March 2018.

Note 7. Lease (Continued)

In September 2017, THP entered into a new lease with a new landlord for office space in New York City, which commenced on November 1, 2017 and expires October 31, 2024. The lease provides for three months of free rent (November of each of the first three years) and escalating payments. Rent payments per month will be approximately $14,500 for the first year, increasing approximately 3% per year thereafter.

THP has a sublease for office space in Washington, D.C. The current sublease commenced May 1, 2017 and continues to April 30, 2019. This replaced a prior sublease which ended April 30, 2017. Rent payments per month will be $1,281 for the first year, increasing approximately 2.5% for the second year.

Future minimum lease payments under these leases, are as follows:

Years ending December 31:		
2018	$	176,001
2019		170,869
2020		185,518
2021		191,078
Thereafter		572,654
	$	1,296,120

United States rent expense for the year ended December 31, 2017 was $148,598. The Program Country entities have a combined occupancy expense, including rent expense for the year ended December 31, 2017 of $304,525.

Note 8. Retirement Plans

THP has a profit-sharing employee retirement plan (the Plan) covering substantially all U.S. employees who are 18 years of age and have completed 1,000 hours of service. Employer matching contributions equal 100% of the employee’s individual contribution, up to $500 for each employee. Vesting occurs 20% each year over five years. There is also an additional discretionary employer contribution determined annually, and employees are 100% vested. For the year ended December 31, 2017, THP made total contributions of $53,523 to the Plan.

THP also maintains a 403(b) savings plan (the Savings Plan) for all full-time employees. Employees are eligible to participate immediately upon employment. THP did not contribute to the Savings Plan for the year ended December 31, 2017.

Note 9. Commitment – Retirement Contract

THP has a postretirement contract with the Founding President. Under the terms of this agreement, the Founding President will receive $100,000 per year in exchange for part-time services rendered. Payments shall continue until the earlier of death or failure to comply with the conditions of the agreement, specifically to not provide services as an employee, officer or director or participate in any fundraising activities for an entity with goals, objectives and methods similar to THP.

Note 10. Life Insurance

THP has a life insurance policy on the Founding President. THP pays the premiums and is the sole beneficiary on the policy. Total face amount and cash surrender value of the policy at December 31, 2017 were $2,162,558 and $1,374,847, respectively.

Note 11. Related Parties

During the year ended December 31, 2017, contributions received from Board members were $622,652 and are included on the accompanying consolidated statement of activities. Promises to give from Board members and THP executive staff were $579,648 at December 31, 2017 and are included on the accompanying consolidated statement of financial position.

Partner Country entities' (see Consolidation policy in Note 1) contributions of $7,709,176 comprise 40% of THP's total support and revenue for the year ended December 31, 2017. Partner Country promises to give of $2,638,375 comprise 32% of THP's net promises to give at December 31, 2017.

Note 12. Reclassification of 2017 Opening Net Asset Balance

The adjustment was made to 2017 opening net asset balances to reclassify $1,241,329 from unrestricted net assets to temporarily restricted net assets to reflect time restrictions imposed by donors or implied by timing of future payments toward the contributions receivable. The aggregate effect of this restatement is as follows:

	Total	Unrestricted	Temporarily Restricted
Net assets			
As previously reported	$ 14,871,689	$ 10,545,428	$ 4,326,261
Adjustment	-	(1,241,329)	1,241,329
As restated	$ 14,871,689	$ 9,304,099	$ 5,567,590