

Food Research & Action Center and Affiliate

Consolidated Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Food Research & Action Center

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Food Research & Action Center and Affiliate (FRAC), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 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 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 Food Research & Action Center and Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
September 20, 2021

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Food Research & Action Center and Affiliate

**Consolidated Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 6,341,609	\$ 3,990,770
Investments	4,000,446	-
Receivables	861,928	1,031,044
Prepaid expenses and deposits	70,953	124,071
Property and equipment, net	45,976	125,040
	<u> </u>	<u> </u>
Total assets	\$ 11,320,912	\$ 5,270,925
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,302,750	\$ 490,125
Deferred revenue	25,000	153,785
Loan payable	674,900	-
Deferred rent	134,722	153,170
	<u> </u>	<u> </u>
Total liabilities	2,137,372	797,080
Net assets:		
Net assets without donor restrictions	6,311,904	1,623,410
Net assets with donor restrictions	2,871,636	2,850,435
	<u> </u>	<u> </u>
Total net assets	9,183,540	4,473,845
	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 11,320,912	\$ 5,270,925
	<u> </u>	<u> </u>

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 7,720,029	\$ 10,320,690	\$ 18,040,719
Contracts	336,040	-	336,040
Conference sponsorships	504,013	-	504,013
Other revenue	149,126	-	149,126
Net assets released from restrictions	10,299,489	(10,299,489)	-
Total revenue and support	19,008,697	21,201	19,029,898
Expenses:			
Program services:			
Child Nutrition	6,517,981	-	6,517,981
SNAP	1,814,901	-	1,814,901
Early Childhood Nutrition	1,379,392	-	1,379,392
Legislative	349,526	-	349,526
Special Projects	320,980	-	320,980
D.C. Hunger Solutions	646,138	-	646,138
Maryland Hunger Solutions	593,695	-	593,695
Communications	743,651	-	743,651
Action Council	685	-	685
Total program services	12,366,949	-	12,366,949
Supporting services:			
Development	763,989	-	763,989
Management and general	1,189,265	-	1,189,265
Total supporting services	1,953,254	-	1,953,254
Total expenses	14,320,203	-	14,320,203
Change in net assets	4,688,494	21,201	4,709,695
Net assets:			
Beginning	1,623,410	2,850,435	4,473,845
Ending	\$ 6,311,904	\$ 2,871,636	\$ 9,183,540

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 2,847,488	\$ 5,850,296	\$ 8,697,784
Conference sponsorships	474,515	-	474,515
Contracts	125,767	-	125,767
Other revenue	2,363	-	2,363
Net assets released from restrictions	6,370,341	(6,370,341)	-
Total revenue and support	9,820,474	(520,045)	9,300,429
Expenses:			
Program services:			
Child Nutrition	4,618,550	-	4,618,550
SNAP	1,777,797	-	1,777,797
Early Childhood Nutrition	659,885	-	659,885
D.C. Hunger Solutions	551,841	-	551,841
Maryland Hunger Solutions	497,423	-	497,423
Children's Leadership Council	22,973	-	22,973
Action Council	10,222	-	10,222
Total program services	8,138,691	-	8,138,691
Supporting services:			
Development	851,080	-	851,080
Management and general	588,152	-	588,152
Total supporting services	1,439,232	-	1,439,232
Total expenses	9,577,923	-	9,577,923
Change in net assets	242,551	(520,045)	(277,494)
Net assets:			
Beginning	1,380,859	3,370,480	4,751,339
Ending	\$ 1,623,410	\$ 2,850,435	\$ 4,473,845

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services									Supporting Services			Total	
	Child Nutrition	SNAP	Early Childhood Nutrition	Legislative	Special Projects	D.C. Hunger Solutions	Maryland Hunger Solutions	Communications	Action Council	Total Program Services	Development	Management and General		Total Supporting Services
Salaries	\$ 602,835	\$ 178,305	\$ 288,440	\$ 173,088	\$ 173,088	\$ 377,286	\$ 333,024	\$ 389,448	\$ -	\$ 2,515,514	\$ 408,346	\$ 649,081	\$ 1,057,427	\$ 3,572,941
Benefits and taxes	142,268	25,876	77,428	51,951	51,920	90,416	78,128	117,275	-	635,262	90,738	191,820	282,558	917,820
Consultants	79,887	15,213	43,198	27,951	30,926	55,921	48,897	74,948	-	376,941	48,915	104,817	153,732	530,673
Meetings and travel	58,077	10,560	31,679	38,266	21,119	37,032	32,751	47,638	-	277,122	136,965	79,196	216,161	493,283
Facilities	77,809	14,161	42,450	28,256	28,264	54,902	72,097	63,605	-	381,544	49,558	105,962	155,520	537,064
Software and equipment	30,830	52,436	20,595	11,157	11,157	19,912	20,685	38,675	-	205,447	19,524	41,838	61,362	266,809
Printing, postage, and supplies	6,741	1,189	3,705	2,524	2,469	7,104	4,705	5,910	-	34,347	4,879	8,917	13,796	48,143
Other expenses	5,602	1,019	3,056	16,333	2,037	3,565	3,408	6,152	685	41,857	5,064	7,634	12,698	54,555
Grants	5,513,932	1,516,142	868,841	-	-	-	-	-	-	7,898,915	-	-	-	7,898,915
	\$ 6,517,981	\$ 1,814,901	\$ 1,379,392	\$ 349,526	\$ 320,980	\$ 646,138	\$ 593,695	\$ 743,651	\$ 685	\$ 12,366,949	\$ 763,989	\$ 1,189,265	\$ 1,953,254	\$ 14,320,203

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Program Services							Supporting Services				Total
	Child Nutrition	SNAP	Early Childhood Nutrition	D.C. Hunger Solutions	Maryland Hunger Solutions	Children's Leadership Council	Action Council	Total Program Services	Development	Management and General	Total Supporting Services	
Salaries	\$ 1,247,343	\$ 519,070	\$ 246,502	\$ 287,260	\$ 274,156	\$ 14,557	\$ 6,992	\$ 2,595,880	\$ 501,154	\$ 94,087	\$ 595,241	\$ 3,191,121
Benefits and taxes	415,781	173,024	82,167	95,753	91,386	4,853	2,331	865,295	167,051	31,363	198,414	1,063,709
Consultants	149,439	15,029	19,491	13,549	13,683	1,053	250	212,494	15,465	443,478	458,943	671,437
Meetings and travel	295,907	105,997	69,406	11,276	11,485	-	-	494,071	8,980	(3,243)	5,737	499,808
Facilities	154,158	46,167	25,826	107,802	73,507	25	-	407,485	121,642	12,832	134,474	541,959
Software and equipment	56,114	16,292	8,787	14,370	18,585	-	-	114,148	16,346	1,724	18,070	132,218
Printing, postage, and supplies	24,993	18,282	8,590	18,173	11,201	2,485	649	84,373	16,761	4,524	21,285	105,658
Other expenses	5,460	1,506	813	3,658	3,420	-	-	14,857	3,681	3,387	7,068	21,925
Grants	2,269,355	882,430	198,303	-	-	-	-	3,350,088	-	-	-	3,350,088
	<u>\$ 4,618,550</u>	<u>\$ 1,777,797</u>	<u>\$ 659,885</u>	<u>\$ 551,841</u>	<u>\$ 497,423</u>	<u>\$ 22,973</u>	<u>\$ 10,222</u>	<u>\$ 8,138,691</u>	<u>\$ 851,080</u>	<u>\$ 588,152</u>	<u>\$ 1,439,232</u>	<u>\$ 9,577,923</u>

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

**Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 4,709,695	\$ (277,494)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,588	31,470
Loss on disposal	113,874	-
Deferred rent	(18,448)	(10,963)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	169,116	1,712,154
Prepaid expenses	53,118	(15,392)
Increase (decrease) in:		
Accounts payable and accrued expenses	812,625	58,335
Deferred revenue	(128,785)	32,390
Net cash provided by operating activities	5,725,783	1,530,500
Cash flows from investing activities:		
Purchases of investments	(4,000,446)	-
Purchases of property and equipment	(49,398)	(47,494)
Net cash used in investing activities	(4,049,844)	(47,494)
Cash flows from financing activities:		
Proceeds from borrowings on loan payable	674,900	-
Payments made on loan payable	-	(15,094)
Net cash provided by (used in) financing activities	674,900	(15,094)
Net increase in cash and cash equivalents	2,350,839	1,467,912
Cash and cash equivalents:		
Beginning	3,990,770	2,522,858
Ending	\$ 6,341,609	\$ 3,990,770

See notes to consolidated financial statements.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Food Research & Action Center and Affiliate (collectively referred to as FRAC) consists of two entities: The Food Research and Action Center, Inc. and FRAC Action Council (the Action Council).

The Food Research and Action Center, Inc. is a 501(c)(3) public charity, nonprofit organization, headquartered in Washington, D.C., with an office in Baltimore, Maryland. The Food Research and Action Center works to improve the nutrition, health, and well-being of people struggling against poverty-related hunger in the United States through advocacy, partnerships, and by advancing bold and equitable policy solutions.

The Food Research and Action Center conducts research and studies in the field of hunger, nutrition, and anti-hunger and anti-poverty policy; provides information, publications, best practices, training and technical assistance to individuals and groups regarding the incidence of, and causes of, hunger and food insecurity, and regarding federal, state and local governmental and private programs to reduce hunger and food insecurity and improve nutrition; disseminates information to national, state and local government officials, public and private, nonprofit service providers and advocacy organizations, the media and the general public; engages in public policy advocacy; and provides counsel to indigent persons and groups with regard to nutrition problems. The Food Research and Action Center is supported primarily by grants from foundations.

The Action Council was incorporated in 2008 to promote social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code, by educating the public and promoting public policies and programs that prevent hunger, improve nutrition, reduce poverty, and protect health and well-being.

The following is a brief description of the significant program services of FRAC:

Regranting: FRAC provides grants to various state and local 501(c)(3) groups and public agencies to ensure that SNAP and child nutrition programs better serve low-income people.

Child Nutrition: FRAC seeks to reduce childhood hunger, improve nutrition, improve food security and economic security, improve health and school achievement, and use child nutrition programs to support services for school-aged children in communities across the country. FRAC works with local, state, national groups and public agencies to assure that as many eligible children as possible are enrolled in programs such as school breakfast, school lunch, the summer food program and after school nutrition programs, and that the food served is as nutritious as possible. FRAC provides research, public policy advocacy, analysis, training, technical assistance, materials and regranting.

SNAP Program: FRAC works with national, state and local groups to protect and improve SNAP benefits for low-income people. Through research, public policy advocacy, training, technical assistance, regranting, and dissemination of information, analysis, and descriptions of model approaches, FRAC assists in getting SNAP benefits to eligible, needy families with children, immigrants, seniors, unemployed persons and other low-income people.

D.C Hunger Solutions: FRAC's District of Columbia project is dedicated to fighting hunger and improving the nutrition, health and well-being of low-income people in the District of Columbia through advocacy, outreach, training, policy analysis, technical assistance, partnerships and dissemination of materials.

Maryland Hunger Solutions: FRAC's Maryland project is dedicated to fighting hunger and improving the nutrition, health and well-being of low-income people in Maryland through advocacy, outreach, training, policy analysis, technical assistance, partnerships and dissemination of materials.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

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

Early Childhood Nutrition: Through research, public policy advocacy, technical assistance, training and distribution of materials to local, state and national organizations, FRAC works to reduce hunger, improve nutrition and thereby improve the food security, economic security, health, development, school readiness and well-being of infants and preschoolers.

The Children's Leadership Council: The Children's Leadership Council (CLC) is a coalition of leading policy and advocacy organizations that work to improve the health, nutrition, education, and well-being of children and youth. The CLC supports investments needed from birth to young adulthood to ensure that children's basic needs of food, clothing, healthcare, shelter and economic stability are met. FRAC's president serves on the board of the CLC and FRAC provides fiscal and operations support for the CLC. The CLC ended during 2019.

A summary of FRAC's significant accounting policies follows:

Principles of consolidation: As required by generally accepted accounting principles (U.S. GAAP), the consolidated financial statements include the accounts of Food Research and Action Center and the Action Council. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As is required by the Not-for-Profit topics of the ASC, FRAC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for operation of FRAC and include both internally designated and undesignated resources.

Net assets with donor restrictions: Net assets with donor restrictions include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of FRAC and/or the passage of time.

Cash and cash equivalents: For purposes of the consolidated financial statements, FRAC considers currency on hand, demand deposits, and highly liquid investments purchased from financial institutions with an original maturity of three months or less to be cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as component of investment income in the consolidated statements of activities.

Financial risk: FRAC maintains demand deposits with various financial institutions which, at times, may exceed federally insured limits. The uninsured positions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss. FRAC has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these balances.

FRAC invests in professionally managed certificates of deposit. Such investments are exposed to market and credit risks. FRAC's investments may be subject to fluctuations in fair value.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

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

Receivables: Contracts receivable are stated at the amount that management expects to collect from services provided under federal grants, and nonfederal contracts. Accounts receivable are stated at net realizable value and are expected to be collected within the next year. Grants receivable consist of unconditional contributions which will be received in a future period. Management periodically reviews the collectability of all receivables based on management's knowledge of and relationship with the vendors, grantors and donors, age of the receivable balance and existing economic conditions.

As a result of these reviews, it is FRAC's policy to write off uncollectible receivable balances when management determines that the receivable will not be collected. As of December 31, 2020 and 2019, management believes that all receivables are fully collectible within one year; therefore, no allowance for doubtful accounts was recorded.

Property and equipment: Property and equipment acquisitions with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally five years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining life of the lease or the useful life of the asset.

Deferred rent: FRAC has lease agreements for rental space in Washington, D.C. and Baltimore, Maryland. Under the terms of the respective lease agreements, FRAC received rent abatements. The rent abatements received and escalating annual rent increases are being recognized on a straight-line basis over the term of the lease agreements and reflected as deferred rent in the accompanying consolidated statements of financial position

Income taxes: The Food Research and Action Center is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue Code.

The Action Council is exempt from the payment of income taxes on its exempt activities under Section 501(c)(4) of the Internal Revenue Code.

Income from nonexempt functions is subject to income taxes to the extent the revenue exceeds related costs. During the years ended December 31, 2020 and 2019, FRAC had no net unrelated business income; accordingly, no provision has been made for either federal or state income taxes in the accompanying consolidated financial statements.

Management evaluated FRAC's tax positions and concluded that FRAC had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Revenue recognition: Unconditional contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

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

Conference and annual dinner revenue is recognized as revenue once the event takes place. Amounts received in advance are recorded as deferred revenue.

Contract revenue is recognized on a cost-reimbursement basis to the extent allowable direct and indirect costs are incurred.

Revenue from all other sources is recognized when earned.

Functional allocation of expenses: Costs of FRAC's various programs and activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Salaries and fringe benefits, occupancy, depreciation and amortization, information technology and other administrative expenses have been allocated on the basis of employee effort.

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statement and accompanying notes. Actual results could differ from those estimates.

Adopted 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 the most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. In August 2014, 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, and in June 2020, the FASB issued ASU 2020-05, which further defers the effective date to annual reporting periods beginning after December 15, 2019, for nonprofit entities that have not yet issued financial statements. This standard was adopted by FRAC effective January 1, 2020, using the modified retrospective transition method

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 ASU provides additional guidance to determine whether a transaction is a contribution or an exchange transaction. FRAC adopted the contributions made portion of the new standard during the year ended December 31, 2020. There were no changes to recognition and presentation as a result.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees will be required to recognize the following for all long-term leases (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis, and (2) a right-of-use asset, which represents the lessee's right to use (or control use of) a specified asset for the lease term. The standard will be effective for FRAC for the fiscal year beginning January 1, 2022. FRAC is currently in the process of evaluating the impact of the new accounting guidance on its consolidated financial statements.

Subsequent events: Subsequent events have been evaluated through September 20, 2021, which is the date the consolidated financial statements were available to be issued.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

Note 2. Investments

Investments consist of the following at December 31, 2020 and 2019:

	2020	2019
Investments, at cost:		
Certificates of deposit	\$ 4,000,446	\$ -
	<u>\$ 4,000,446</u>	<u>\$ -</u>

Note 3. Liquidity and Availability of Financial Assets

FRAC regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, FRAC considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those programs to be general expenditures.

Financial assets available for general expenditure within one year are as follows as of December 31, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 6,341,609	\$ 3,990,770
Investments	4,000,446	-
Receivables	861,928	1,031,044
Total financial assets at year-end	<u>11,203,983</u>	<u>5,021,814</u>
Less restricted by donors with time or purpose restrictions	<u>(2,871,636)</u>	<u>(2,850,435)</u>
Total liquid financial assets at year-end	<u>\$ 8,332,347</u>	<u>\$ 2,171,379</u>

Note 4. Receivables

Grants, contributions and contracts receivable consist of the following at December 31, 2020 and 2019:

	2020	2019
Grants receivable	\$ 780,977	\$ 961,000
Accounts receivable	27,309	8,999
Other receivables	53,642	61,045
	<u>\$ 861,928</u>	<u>\$ 1,031,044</u>

All grants are expected to be collected in less than one year.

At December 31, 2020 and 2019, FRAC has conditional promises to give of approximately \$0 and \$400,000, respectively. The conditional promises to give have not been recorded in the consolidated financial statements. Future payments are contingent on FRAC meeting certain milestones or conditions documented in the grant agreements.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Furniture	\$ 8,928	\$ 25,321
Computer and office equipment	128,510	160,066
Leasehold improvements	94,500	111,027
	<u>231,938</u>	<u>296,414</u>
Less accumulated depreciation and amortization	(185,962)	(171,374)
	<u>\$ 45,976</u>	<u>\$ 125,040</u>

Note 6. Retirement Plan

FRAC maintains a qualified, tax-sheltered annuity retirement plan for employees. Under this plan, FRAC contributes a percentage of covered compensation for all participating employees. During the years ended December 31, 2020 and 2019, FRAC contributed \$146,567 and \$158,744 to the plan, respectively.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	2020	2019
Child Nutrition	\$ 1,024,094	\$ 594,642
Regranting	542,042	1,907,862
Maryland Hunger Solutions	505,000	80,366
Early Childhood Nutrition	490,500	-
D.C. Hunger Solutions	150,000	157,565
SNAP	125,000	110,000
Strategic Planning and Equity	35,000	-
	<u>\$ 2,871,636</u>	<u>\$ 2,850,435</u>

Net assets released from restrictions of \$10,299,489 and \$6,370,341 for the years ended December 31, 2020 and 2019, respectively, relate to the passage of time and/or FRAC's usage of the restricted net assets for the purpose stipulated by the donor.

Note 8. Commitments and Contingencies

Operating lease: In June 2013, FRAC entered into a 126-month lease agreement to relocate its D.C. headquarters' office space, which commenced on December 15, 2013, and was amended on October 29, 2020 and has a base rent of \$27,010 per month, with 2% annual escalations beginning in December 2022. FRAC will also be responsible for a proportionate share of increases in operating costs and real estate taxes.

FRAC entered into a 65-month lease agreement for office space in Washington, D.C. and a 36-month lease agreement for office space in Baltimore, Maryland, with term commencement dates of September 1, 2020 and July 1, 2021.

Food Research & Action Center and Affiliate

Notes to Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

Rent expense for the years ended December 31, 2020 and 2019, was \$453,898 and \$476,077, respectively.

Future minimum lease payments, subject to annual operating expense increases, under the terms of the office lease are as follows:

Years ending December 31:

2021	\$	357,985
2022		355,750
2023		363,176
2024		354,022
2025		344,527
2026		29,236
		<u>\$ 1,804,696</u>

Employment contract: FRAC has entered into an employment contract with the President of FRAC that provides for a severance payment under certain circumstances. The terms of the employment contract remain enforceable until amended.

Note 9. COVID-19

The continued global pandemic in 2020 has created substantial volatility in the financial markets and the economy. While it is unknown how long these conditions will last and what the complete financial effect will be to FRAC, to date, FRAC has not experienced any significant disruptions to its business, loss of customers or decrease in revenues. However, it could have a negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 10. Paycheck Protection Program

In May 2020, FRAC applied for and received \$674,900 from the Small Business Administration (SBA) Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to protect FRAC's necessary work to end hunger. The PPP loan has an interest rate of 1% with an initial deferral of principal and interest payments; thereafter, monthly principal and interest payments are due over consecutive months. The loan can be repaid without penalty at any time. FRAC used the entire loan amount for payroll and other qualified expenses and expects the loan to be fully forgiven during the next fiscal year. No principal or interest payments have been paid through the report date. FRAC has elected to account for the loan as a financial liability under ASC 470. As such, FRAC will continue to show a loan liability until such a time that the loan is either paid off or forgiven.