

# **The Global Hunger Project And Affiliates**

Consolidated Financial Report  
December 31, 2010

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## Independent Auditor's Report

To the Global Board of Directors  
The Global Hunger Project  
New York, New York

We have audited the accompanying consolidated balance sheet of The Global Hunger Project and Affiliates (Bangladesh, India, Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Senegal, Uganda, Mozambique and Mexico) as of December 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Global Hunger Project and Affiliates' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2009 consolidated financial statements of The Global Hunger Project and Affiliates, and in our report dated June 8, 2010, based on our audit and the reports of other auditors, we expressed an unqualified opinion on those statements.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements for the micro-credit loan program in Ghana, for which those financial statement assets and revenue are \$702,498 and \$636,337, respectively, and constitute 4 percent and 4.5 percent, respectively, of the related totals. Revenue includes amounts from this micro-credit loan program from its inception. We were unable to perform audit procedures to satisfy ourselves as to the carrying value of these amounts by auditing procedures and to identify necessary adjustments, if any.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the Ghana micro-credit finance program referred to in the preceding paragraph, the 2010 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, 2010, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
October 20, 2011

## The Global Hunger Project And Affiliates

### Consolidated Balance Sheet

December 31, 2010

(With Comparative Totals For 2009)

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash And Cash Equivalents	\$ 5,808,907	\$ 5,648,711
Receivables, net (Note 2)	3,657,030	4,133,879
Micro-Credit Loans (Note 3)	1,123,485	809,673
Charitable Remainder Trust (Note 4)	412,453	357,222
Investments (Notes 5 and 11)	4,787,339	4,863,865
Property And Equipment, net (Note 6)	1,309,380	1,547,958
Other Assets	341,157	320,372
	<u>\$ 17,439,751</u>	<u>\$ 17,681,680</u>
<b>Liabilities And Net Assets</b>		
Liabilities		
Accounts payable	\$ 515,465	\$ 258,822
Accrued expenses	141,882	142,990
Security deposit	33,000	33,000
Deferred rent (Note 8)	747,468	782,005
Deferred revenue	-	125,431
<b>Total liabilities</b>	<u>1,437,815</u>	<u>1,342,248</u>
Commitments (Notes 8 and 10)		
Net Assets		
Unrestricted	11,529,856	11,481,452
Temporarily restricted (Note 7)	4,472,080	4,857,980
	<u>16,001,936</u>	<u>16,339,432</u>
	<u>\$ 17,439,751</u>	<u>\$ 17,681,680</u>

See Notes To Consolidated Financial Statements.

## The Global Hunger Project And Affiliates

### Consolidated Statement Of Activities Year Ended December 31, 2010 (With Comparative Totals For 2009)

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 8,962,906	\$ 4,807,355	\$ 13,770,261	\$ 12,146,543
Investment income (Note 5)	174,651	-	174,651	402,640
Foreign currency losses	(295,473)	-	(295,473)	(68,216)
Other	369,443	-	369,443	407,089
Released from restrictions	5,193,255	(5,193,255)	-	-
<b>Total support and revenue</b>	<b>14,404,782</b>	<b>(385,900)</b>	<b>14,018,882</b>	<b>12,888,056</b>
Expenses:				
Program services:				
Education and advocacy	834,138	-	834,138	812,058
Africa	7,906,000	-	7,906,000	7,476,674
Asia	2,563,789	-	2,563,789	2,123,595
Latin America	598,076	-	598,076	726,723
<b>Total program services</b>	<b>11,902,003</b>	<b>-</b>	<b>11,902,003</b>	<b>11,139,050</b>
Supporting services:				
Management and general	1,437,847	-	1,437,847	1,330,422
Fund raising	1,016,528	-	1,016,528	966,414
<b>Total supporting services</b>	<b>2,454,375</b>	<b>-</b>	<b>2,454,375</b>	<b>2,296,836</b>
<b>Total expenses</b>	<b>14,356,378</b>	<b>-</b>	<b>14,356,378</b>	<b>13,435,886</b>
<b>Change in net assets</b>	<b>48,404</b>	<b>(385,900)</b>	<b>(337,496)</b>	<b>(547,830)</b>
Net assets:				
Beginning	11,481,452	4,857,980	16,339,432	16,887,262
Ending	<b>\$ 11,529,856</b>	<b>\$ 4,472,080</b>	<b>\$ 16,001,936</b>	<b>\$ 16,339,432</b>

See Notes To Consolidated Financial Statements.

**The Global Hunger Project And Affiliates**

**Consolidated Statement Of Functional Expenses  
Year Ended December 31, 2010  
(With Comparative Totals For 2009)**

	2010										2009 Total
	Program Services					Supporting Services					
	Education And Advocacy	Africa	Asia	Latin America	Total Program Services	Management And General	Fund Raising	Total Supporting Services	Total		
Direct investment	\$ -	\$ 4,398,729	\$ 1,225,301	\$ 128,711	\$ 5,752,741	\$ -	\$ -	\$ -	\$ 5,752,741	\$ 4,746,304	
Salaries and benefits	403,589	1,674,296	588,061	131,184	2,797,130	738,245	684,077	1,422,322	4,219,452	4,264,670	
Rent and occupancy	77,021	303,234	111,974	19,858	512,087	205,388	102,694	308,082	820,169	955,811	
Professional services	174,235	456,383	98,056	168,941	897,615	191,387	67,424	258,811	1,156,426	888,651	
Production, design, printing and conferences	78,393	240,345	297,401	11,011	627,150	22,690	11,337	34,027	661,177	721,302	
Travel and related costs	21,165	393,536	113,814	40,847	569,362	26,554	63,357	89,911	659,273	593,128	
Depreciation	14,971	172,419	24,858	10,442	222,690	39,923	19,962	59,885	282,575	457,937	
Office	33,891	131,853	86,011	5,290	257,045	19,200	13,927	33,127	290,172	317,062	
Telephone	6,529	81,703	5,774	6,378	100,384	11,891	16,303	28,194	128,578	139,747	
Corporate	10,936	26,089	5,059	3,310	45,394	172,753	14,581	187,334	232,728	136,866	
Grants	-	-	-	70,000	70,000	-	-	-	70,000	117,500	
Data processing	6,767	23,745	3,486	280	34,278	6,762	7,306	14,068	48,346	57,355	
Shipping	6,641	3,668	3,994	1,824	16,127	3,054	15,560	18,614	34,741	39,553	
<b>Total expenses</b>	<b>\$ 834,138</b>	<b>\$ 7,906,000</b>	<b>\$ 2,563,789</b>	<b>\$ 598,076</b>	<b>\$ 11,902,003</b>	<b>\$ 1,437,847</b>	<b>\$ 1,016,528</b>	<b>\$ 2,454,375</b>	<b>\$ 14,356,378</b>	<b>\$ 13,435,886</b>	

See Notes To Consolidated Financial Statements.

**The Global Hunger Project And Affiliates**

**Consolidated Statement Of Cash Flows  
Year Ended December 31, 2010  
(With Comparative Totals For 2009)**

	<b>2010</b>	2009
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (337,496)	\$ (547,830)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	(34,537)	(37,017)
Depreciation	282,575	457,937
Decrease in provision for doubtful accounts	(266,788)	(1,349,495)
Increase in cash surrender value of life insurance	(49,177)	(46,589)
Gain on charitable remainder trust	(55,231)	(283,294)
Unrealized loss on investments	15,022	12,007
Donated securities	-	(25,066)
Gain on sale of property and equipment	-	(6,089)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	743,637	1,988,725
Micro-credit loans	(313,812)	(40,970)
Other assets	(20,785)	96,575
Increase (decrease) in:		
Accounts payable	256,643	(43,461)
Accrued expenses	(1,108)	(157,275)
Deferred revenue	(125,431)	101,164
Security deposit	-	6,559
<b>Net cash provided by operating activities</b>	<b>93,512</b>	<b>125,881</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(453,589)	(2,559,356)
Proceeds from sale and maturity of investments	564,270	2,856,226
Purchase of property and equipment	(43,997)	(104,837)
Proceeds from sale of property and equipment	-	8,196
<b>Net cash provided by investing activities</b>	<b>66,684</b>	<b>200,229</b>
<b>Net increase in cash and cash equivalents</b>	<b>160,196</b>	<b>326,110</b>
<b>Cash And Cash Equivalents</b>		
Beginning	5,648,711	5,322,601
Ending	<b>\$ 5,808,907</b>	<b>\$ 5,648,711</b>
<b>Supplemental Schedule Of Noncash Investing And Financing Activities</b>		
Receipt of donated securities	\$ -	\$ 25,066

See Notes To Consolidated Financial Statements.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of Activities: The Global Hunger Project and Affiliates (THP) is a California not-for-profit, nonmember, public benefit corporation.

THP is a strategic organization and global movement committed to the sustainable end of world hunger. In Africa, South Asia and Latin America, THP seeks to end hunger and poverty by empowering people to lead lives of self-reliance, meet their own basic needs and build better futures for their children. 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 Millennium Development Goals (MDGs). The essential elements of these strategies include mobilizing village clusters for self-reliant action, empowering women as key change agents, and forging effective partnerships with local government.

*Partner Countries:* The financial position and activities of affiliated Partner Country entities, which are based in the developed countries outside of the United States (e.g., THP-Australia, THP-Germany, THP-Netherlands, etc.), are not included in these financial statements. The affiliated partners are not controlled by THP as 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 by THP. The affiliated partners raise funds, which, less their own expenses, are applied to THP programs.

*Program Countries:* The financial positions of affiliated Hunger Project entities that implement programs in the developing world (e.g., THP-Senegal, THP-Bangladesh, etc.) 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 in The Global Hunger Project Office. All affiliated Program Country Directors are citizens and residents of their respective countries. They have individual contractual agreements with and are compensated directly from THP's Global Office. The Program Country Directors' contracts can be cancelled for cause or otherwise at any time with proper notice. The affiliated Program Countries receive annual appropriations quarterly based on an operational program budget approved by THP.

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

*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. Two key components of this integrated strategy are a Microfinance Program and an HIV/AIDS and Gender Inequality Workshop.

As of December 31, 2010, there were 115 such epicenter communities and more than 980,000 people had participated in the HIV/AIDS and Gender Inequality Workshop. Our Microfinance Program had 44,000 active participants with a loan portfolio totaling \$2.4 million in 2010. In 2010, Microfinance Program participants deposited over \$1 million in savings.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

*Asia:* In South Asia, THP has offices 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. Since 2000, more than 78,600 elected women leaders have been trained in THP's Women's Leadership Workshop and are taking 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 more than 250,000 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 has an office in Mexico and works in partnership with an established organization in Peru that shares our 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 network of indigenous women's organizations who are promoting access to opportunities, the exercise of women's and indigenous rights and collaboration with local and regional governments.

*Education and Advocacy:* Influencing policymakers and educating a worldwide constituency of committed individuals are high priorities of THP. During the year ended December 31, 2010, THP organized numerous local events across the United States, held a special annual event focused on our work in South Asia, disseminated monthly newsletters and various communications to its constituency, managed a comprehensive social media campaign, developed a brochure on our South Asia programs, and continued to improve its public website. THP staff members also participated in several meetings convened by the UN and affiliated organizations and other bilateral and multilateral organizations in order to influence the policymaking community on issues related to our work.

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, revenue is recognized when earned and expenses are recognized when incurred.

Consolidation policy: The accompanying consolidated financial statements include the accounts of The Global Hunger Project and its Affiliates in the developing world which work within a common strategy, with funding largely from The Global Hunger Project, and led by Country Directors employed directly by The Global Hunger Project. All significant transactions between The Global Hunger Project and the Affiliates have been eliminated in the consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *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 includes amounts controlled by either THP or its affiliates' Board of Directors. At December 31, 2010, board designated net assets, which are solely in the affiliated program country of India, in the amount of \$186,608, are for a reserve and may be used by approval of the Board of Directors of the India entity.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

- 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 THPs actions. THP had no permanently restricted net assets at December 31, 2010.

Cash and cash equivalents: THP considers interest-bearing accounts and amounts held in overnight sweep accounts to be cash equivalents.

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

THP invests in a professionally managed portfolio that contains U.S. Treasury notes, mutual funds and India bonds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Promises to give: Promises to give are comprised of cash held and due from affiliated Partner Countries at December 31, 2010, as well as U.S. promises to give. 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. Management determines the allowance for doubtful accounts 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. The allowance for doubtful promises at December 31, 2010, was \$268,453.

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.

Micro-credit loans: Micro-credit loans are recorded as a receivable when funds are initially paid to the borrower and as a reduction of the receivable upon repayment by the borrower. Annual interest rates range from 10 percent to 36 percent, a deposit (collateral) is required, which is usually 10 percent of the loan principal, and loan terms are between six months to one year.

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 its 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.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Valuation of long-lived assets: THP accounts for the valuation of long-lived assets in accordance with the FASB Accounting Standards Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*. It is required that long-lived assets and certain identifiable intangible assets be reviewed 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.

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. In addition, a landlord improvement allowance was provided for leasehold improvements. 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.

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 expense: Direct investment expenses consist mainly of amounts provided to affiliated program Hunger Project entities.

Foreign currency transactions: Foreign currency transactions are recorded in U.S. dollars at the actual exchange rates in effect at the date of the transactions. Losses on foreign currency fluctuations were \$295,473 for the year ended December 31, 2010.

Income taxes: THP is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). 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, 2010.

THP follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, THP may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has evaluated THP's tax positions and has concluded that THP has taken no uncertain tax positions that require disclosure. Generally, THP is no longer subject to income tax examinations by the U.S. federal, state or local authorities for years before 2007.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 THP's consolidated financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Recent accounting pronouncement: In January 2010, the FASB released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provides accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Levels 1 and 2 and reasons for the transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. THP adopted ASU 2010-06 during the year ended December 31, 2010.

Subsequent events: Subsequent events have been evaluated through October 20, 2011, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Receivables

Receivables at December 31, 2010, consist of the following:

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Promises to give:	
United States	\$ 2,179,042
Affiliated Partner Countries	1,757,725
	<hr/>
	3,936,767
Less provision for doubtful accounts	268,453
Less discount to present value	18,092
	<hr/>
<b>Net promises to give</b>	<b>3,650,222</b>
Accrued interest – certificates of deposit	6,808
<b>Total receivables</b>	<b>\$ 3,657,030</b>

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## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 2. Receivables (Continued)

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of approximately 5 percent. Unconditional promises to give at December 31, 2010, consist of the following:

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Promises to give in less than one year	\$ 3,556,767
Promises to give in one to five years	380,000
	<u>\$ 3,936,767</u>

#### Note 3. Micro-Credit Loans

Micro-credit loans at December 31, 2010, consist of the following:

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Ghana	\$ 277,837
Benin	259,643
Senegal	217,190
Burkina Faso	212,313
Ethiopia	98,623
Malawi	33,697
Uganda	15,516
Mozambique	8,666
	<u>\$ 1,123,485</u>

In addition to the micro-credit loans, cash which was designated for microfinance programs, is \$1,090,136 at December 31, 2010, and is included in cash in the accompanying consolidated balance sheet.

THP – Ghana could not provide formalized financial statements to support a timely audit for the year ended December 31, 2010. Therefore, the estimated amounts of the Ghana Microfinance Program included in the consolidated financial statements are based on activity reports provided by the program operations. Management in Ghana and in the Global Office are working with the local auditors to adjust record keeping and financial management systems, and ensure that the Microfinance Program can be audited in a timely manner in the coming years. Management expects to have an audit of the Ghana Microfinance Program for the year ending December 31, 2011.

#### Note 4. Charitable Remainder Trust

THP is a beneficiary in a charitable remainder trust (the Trust). The Trust makes payment each year to the grantor for the duration of the Trust's term (the grantor's lifetime). At the end of the Trust's term, the remaining assets are available for The Global Hunger Project's use. The administrator, who is a third-party trustee, holds the assets. The Global Hunger Project's interest in the Trust is recognized at the estimated net present value. The fair market value of the Trust at December 31, 2010, was \$785,736. The Global Hunger Project's estimated interest in the Trust at December 31, 2010, was \$412,453.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 5. Investments

Investments at December 31, 2010, consist of the following:

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Certificates of deposit	\$ 2,738,413
Cash surrender value of life insurance policy	1,030,852
Money market	587,144
U.S. Treasury notes	108,891
Mutual funds	102,500
India bonds	219,539
	<u>\$ 4,787,339</u>

Investment income for the year ended December 31, 2010, consists of the following:

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Interest income	\$ 134,442
Gain on charitable remainder trust	55,231
Unrealized and realized loss on investments	(15,022)
	<u>\$ 174,651</u>

#### Note 6. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2010, and depreciation expense for the year ended December 31, 2010, consist of the following:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
New York:					
Leasehold improvements	Lease term	\$ 781,957	\$ 234,973	\$ 546,984	\$ 77,439
Furniture and equipment	5 to 10 years	163,495	78,793	84,702	22,373
		<u>945,452</u>	<u>313,766</u>	<u>631,686</u>	<u>99,812</u>
Program countries	3 to 10 years	2,685,207	2,007,513	677,694	182,763
		<u>\$ 3,630,659</u>	<u>\$ 2,321,279</u>	<u>\$ 1,309,380</u>	<u>\$ 282,575</u>

#### Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted and other funds, which are only available for program services, or supporting services designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2010, due to the time restriction ending or the purpose restriction being accomplished.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

#### Note 7. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets at December 31, 2010, are available for the following programs:

	Balance December 31, 2009	Additions	Released	Balance December 31, 2010
Time restricted:				
Promises to give	\$ 2,283,892	\$ 3,016,417	\$ (2,662,279)	\$ 2,638,030
Charitable remainder trust	357,222	55,231	-	412,453
Program restricted:				
Ghana	1,621,752	500,000	(1,212,194)	909,558
Africa Epicenters	560,000	-	(480,000)	80,000
India	22,634	1,235,707	(826,302)	432,039
Mexico	12,480	-	(12,480)	-
	<u>\$ 4,857,980</u>	<u>\$ 4,807,355</u>	<u>\$ (5,193,255)</u>	<u>\$ 4,472,080</u>

#### Note 8. Lease

THP has a lease for office space in New York City, which expires on March 31, 2018. The lease provides for a period of free rent, a landlord improvement allowance and escalating payments. Rent expense is being recognized on a straight-line basis over the term of the lease. The difference between the expense and the cash payments, which was \$747,468 at December 31, 2010, is reported as deferred rent in the accompanying consolidated financial statements. Rent expense for the year ended December 31, 2010, was \$437,570.

The landlord required that in lieu of a security deposit, THP has a letter of credit for \$306,118. In addition, THP has an agreement to sublet 4,500 square feet of their current office lease, which expires on September 30, 2012.

Future minimum lease payments at December 31, 2010, net of sublease income, are as follows:

Years Ending December 31,	Lease Commitment	Sublease Income	Net Lease Commitment
2011	\$ 473,057	\$ 136,175	\$ 336,882
2012	487,253	104,100	383,153
2013	501,874	-	501,874
2014	518,424	-	518,424
2015	541,495	-	541,495
2016 to 2018	1,095,625	-	1,095,625
	<u>\$ 3,617,728</u>	<u>\$ 240,275</u>	<u>\$ 3,377,453</u>

#### Note 9. Retirement Plan

THP has a profit sharing contribution 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. Amounts contributed to the Plan are discretionary and determined on an annual basis. For the year ended December 31, 2010, THP made no contributions to the Plan.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

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#### **Note 9. Retirement Plan (Continued)**

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 makes no contributions to the Savings Plan.

#### **Note 10. 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.

#### **Note 11. 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, 2010, was \$2,077,918 and \$1,030,852, respectively.

#### **Note 12. Fair Value Measurements**

The Codification Topic on Fair Value Measurements requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a non-recurring basis, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value. The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, THP performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The fair value of mutual funds and corporate bonds is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 1.

The fair value of U.S. Treasury notes and India bonds are determined based on inputs other than quoted prices. This includes the use of models or other valuation methodologies, which are corroborated by other market data, in order to determine their fair value. As a result, both are categorized as Level 2.

THP's interest in the charitable remainder trust is recognized at the estimated net present value and is therefore considered a Level 3 item. THP values the charitable remainder trust investments at fair value discounting them by assigning an actuarial age to the beneficiary and a discount rate equivalent to standard lending rates at the time of the initial gift.

## Global Hunger Project And Affiliates

### Notes To Consolidated Financial Statements

#### Note 12. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

Description	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	\$ 108,891	\$ -	\$ 108,891	\$ -
Mutual funds				
Large cap growth fund	46,197	46,197	-	-
Commodity fund	56,303	56,303	-	-
India bonds	219,539	-	219,539	-
Charitable remainder trust	412,453	-	-	412,453
	<u>\$ 843,383</u>	<u>\$ 102,500</u>	<u>\$ 328,430</u>	<u>\$ 412,453</u>

Certificates of deposits of \$2,738,413 and money market of \$587,144 are not subject to the provisions of fair value measurements as they are recorded at cost. Cash surrender value of life insurance policy in the amount of \$1,030,852 is also excluded from the above schedule since it is carried at cash surrender value and not fair value.

The change in the Level 3 asset measured at fair value on a recurring basis is summarized as follows:

Balance, December 31, 2009	\$ 357,222
Change in estimate of fair value	55,231
<b>Balance, December 31, 2010</b>	<u><u>\$ 412,453</u></u>

#### Note 13. Related Parties

During the year ended December 31, 2010, contributions received from board members were \$296,500 and are included in the accompanying consolidated statement of activities.