

**WhyHunger, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
WhyHunger, Inc.

We have audited the accompanying financial statements of WhyHunger, Inc., (a non-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

To the Board of Directors  
WhyHunger, Inc.  
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WhyHunger, Inc. as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 2, WhyHunger, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of ASU 2016-14 have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
April 11, 2019

# WhyHunger, Inc.

## STATEMENTS OF FINANCIAL POSITION

For the Years Ended December 31, 2018 and 2017

### ASSETS

	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 251,662	\$ 427,035
Investments at fair value	627,262	676,645
Contributions receivable, current	1,093,786	780,913
Prepaid and other assets	<u>92,014</u>	<u>96,811</u>
Total current assets	<u>2,064,724</u>	<u>1,981,404</u>
<b>Long-term assets:</b>		
Fixed assets, net	7,054	5,020
Intangible assets, net	6,974	25,059
Contributions receivable, long-term	<u>6,000</u>	<u>13,000</u>
Total long-term assets	<u>20,028</u>	<u>43,079</u>
Total assets	<u>\$ 2,084,752</u>	<u>\$ 2,024,483</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 224,054	\$ 174,770
Grants payable	<u>52,163</u>	<u>49,377</u>
Total current liabilities	<u>276,217</u>	<u>224,147</u>
<b>Net assets:</b>		
<b>Without donor restriction:</b>		
Undesignated	321,072	402,189
Designated by the Board for endowment	<u>534,219</u>	<u>567,459</u>
Total without donor restriction	855,291	969,648
<b>With donor restriction:</b>		
Purpose restricted	844,244	709,688
Time restricted for future periods	9,000	21,000
Perpetual in nature	<u>100,000</u>	<u>100,000</u>
Total with donor restriction	<u>953,244</u>	<u>830,688</u>
Total net assets	<u>1,808,535</u>	<u>1,800,336</u>
Total liabilities and net assets	<u>\$ 2,084,752</u>	<u>\$ 2,024,483</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support:</b>			
Individual contributions	\$ 227,285	\$ 19,333	\$ 246,618
Foundation grants and corporate donations	1,115,648	732,579	1,848,227
Artists Against Hunger and Poverty/Hungerthon	1,038,532	-	1,038,532
Special events, gross	478,073	-	478,073
Royalty income	330	494	824
Realized and unrealized gains (losses) on investments	(34,245)	(7,661)	(41,906)
Interest and other income (expense), net investment fees	1,287	(288)	999
Net assets released from restrictions	<u>621,901</u>	<u>(621,901)</u>	<u>-</u>
Total revenue and support	<u>3,448,811</u>	<u>122,556</u>	<u>3,571,367</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	69,051	-	69,051
Artists Against Hunger and Poverty/Hungerthon	550,198	-	550,198
Nourish	906,444	-	906,444
Global Movements	906,143	-	906,143
General Media for Program Services	<u>529,379</u>	<u>-</u>	<u>529,379</u>
Total program services	<u>2,961,215</u>	<u>-</u>	<u>2,961,215</u>
<b>Support services:</b>			
Fundraising	314,415	-	314,415
Costs of direct benefit to donors	132,525	-	132,525
Management and general	<u>155,013</u>	<u>-</u>	<u>155,013</u>
Total support services	<u>601,953</u>	<u>-</u>	<u>601,953</u>
Total expenses	<u>3,563,168</u>	<u>-</u>	<u>3,563,168</u>
Change in net assets	(114,357)	122,556	8,199
Net assets, beginning of year	<u>969,648</u>	<u>830,688</u>	<u>1,800,336</u>
Net assets, end of year	<u>\$ 855,291</u>	<u>\$ 953,244</u>	<u>\$ 1,808,535</u>

The accompanying notes are an integral  
part of these financial statements

# WhyHunger, Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support:</b>			
Individual contributions	\$ 272,934	\$ 19,827	\$ 292,761
Foundation grants and corporate donations	539,454	557,418	1,096,872
Artists Against Hunger and Poverty/Hungerthon	1,185,254	-	1,185,254
Special events, gross	499,410	-	499,410
Royalty income	8,585	11,009	19,594
Realized and unrealized gains on investments	83,603	18,828	102,431
Interest and other income (expense), net investment fees	2,026	(226)	1,800
Net assets released from restrictions	<u>612,153</u>	<u>(612,153)</u>	<u>-</u>
Total revenue and support	<u>3,203,419</u>	<u>(5,297)</u>	<u>3,198,122</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	54,199	-	54,199
Artists Against Hunger and Poverty/Hungerthon	532,874	-	532,874
Nourish	709,384	-	709,384
Global Movements	936,245	-	936,245
General Media for Program Services	412,757	-	412,757
Total program services	<u>2,645,459</u>	<u>-</u>	<u>2,645,459</u>
<b>Support services:</b>			
Fundraising	239,507	-	239,507
Costs of direct benefit to donors	125,082	-	125,082
Management and general	131,187	-	131,187
Total support services	<u>495,776</u>	<u>-</u>	<u>495,776</u>
Total expenses	<u>3,141,235</u>	<u>-</u>	<u>3,141,235</u>
Change in net assets	62,184	(5,297)	56,887
Net assets, beginning of year	<u>907,464</u>	<u>835,985</u>	<u>1,743,449</u>
Net assets, end of year	<u>\$ 969,648</u>	<u>\$ 830,688</u>	<u>\$ 1,800,336</u>

The accompanying notes are an integral  
part of these financial statements

## WhyHunger, Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	<u>Program Services</u>						<u>Supporting Services</u>				
	<u>Artists Against</u>			<u>General</u>			<u>Costs of</u>			<u>Total</u>	
	<u>Grassroots</u>	<u>Hunger and</u>		<u>Global</u>	<u>Media for</u>	<u>Total</u>	<u>Direct</u>	<u>Management</u>	<u>Supporting</u>	<u>Total</u>	
<u>Action</u>	<u>Poverty/</u>	<u>Nourish</u>	<u>Movements</u>	<u>Program</u>	<u>Program</u>	<u>Benefit</u>	<u>and General</u>	<u>Services</u>			
<u>Network</u>	<u>Hungerthon</u>			<u>Services</u>	<u>Services</u>	<u>to Donors</u>			<u>Total</u>	<u>Total</u>	
						<u>Fundraising</u>					
<b>Salaries and related expenses:</b>											
Salaries	\$ 29,979	\$ 294,150	\$ 274,378	\$ 271,496	\$ 236,873	\$ 1,106,876	\$ 149,603	\$ -	\$ 92,088	\$ 241,691	\$ 1,348,567
Payroll taxes and employee benefits	6,281	62,393	67,350	64,118	47,319	247,461	38,383	-	17,791	56,174	303,635
Total salaries and related expenses	<u>36,260</u>	<u>356,543</u>	<u>341,728</u>	<u>335,614</u>	<u>284,192</u>	<u>1,354,337</u>	<u>187,986</u>	<u>-</u>	<u>109,879</u>	<u>297,865</u>	<u>1,652,202</u>
<b>Other expenses:</b>											
Professional and contract	2,227	42,041	44,597	18,610	169,292	276,767	34,596	16,809	3,174	54,579	331,346
Postage and shipping	20	15,025	380	317	213	15,955	962	1,247	45	2,254	18,209
Supplies and other office expenses	454	5,278	5,010	4,998	8,776	24,516	17,756	995	831	19,582	44,098
Telephone and internet	380	3,862	4,223	3,711	3,465	15,641	2,659	-	737	3,396	19,037
Occupancy	2,773	33,121	35,730	31,121	29,712	132,457	22,801	-	6,317	29,118	161,575
Staff travel	5,907	2,005	17,009	13,213	4,527	42,661	3,969	-	248	4,217	46,878
Printing and publications	1,547	7,584	47	3,994	-	13,172	1,136	2,543	-	3,679	16,851
Equipment rentals	165	1,971	2,126	1,852	1,768	7,882	1,357	-	376	1,733	9,615
Dues, fees and subscription	1,035	230	1,509	1,224	11,569	15,567	1,651	-	42	1,693	17,260
Conference and meetings	4,700	1,329	24,158	63,133	976	94,296	2,645	-	207	2,852	97,148
Grants, awards and donations	11,874	-	308,214	409,805	-	729,893	-	-	-	-	729,893
Bank charges and interest	204	9,986	2,625	2,756	2,183	17,754	7,396	-	464	7,860	25,614
Taxes, fines and penalties	152	1,814	1,957	1,704	1,627	7,254	3,499	-	30,183	33,682	40,936
Insurance	408	4,527	4,648	4,221	3,916	17,720	2,840	-	1,057	3,897	21,617
Advertising	5	55	101,937	52	190	102,239	15,144	-	11	15,155	117,394
Repairs and maintenance	124	1,486	1,603	1,396	1,333	5,942	1,023	-	283	1,306	7,248
Program supplies	-	42,335	-	-	-	42,335	2,440	-	-	2,440	44,775
Event venue and audiovisual expenses	-	-	-	-	-	-	-	110,931	-	110,931	110,931
Meals and entertainment	196	3,952	1,091	3,301	924	9,464	912	-	157	1,069	10,533
Miscellaneous	248	7,606	3,053	941	726	12,574	581	-	154	735	13,309
Bad debt expense	-	5,000	-	-	-	5,000	-	-	-	-	5,000
Total expenses before depreciation and amortization	68,679	545,750	901,645	901,963	525,389	2,943,426	311,353	132,525	154,165	598,043	3,541,469
Depreciation and amortization	372	4,448	4,799	4,180	3,990	17,789	3,062	-	848	3,910	21,699
Total expenses	<u>\$ 69,051</u>	<u>\$ 550,198</u>	<u>\$ 906,444</u>	<u>\$ 906,143</u>	<u>\$ 529,379</u>	<u>\$ 2,961,215</u>	<u>\$ 314,415</u>	<u>\$ 132,525</u>	<u>\$ 155,013</u>	<u>\$ 601,953</u>	<u>\$ 3,563,168</u>

The accompanying notes are an integral part of these financial statements



## WhyHunger, Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	<u>Program Services</u>						<u>Supporting Services</u>				
	<u>Artists Against</u>			<u>General</u>			<u>Costs of</u>			<u>Total</u>	
	<u>Grassroots</u>	<u>Hunger and</u>		<u>Global</u>	<u>Media for</u>	<u>Total</u>	<u>Fundraising</u>	<u>Direct</u>	<u>Management</u>	<u>Supporting</u>	<u>Total</u>
<u>Action</u>	<u>Poverty/</u>	<u>Nourish</u>	<u>Movements</u>	<u>Program</u>	<u>Program</u>		<u>to Donors</u>	<u>and General</u>	<u>Services</u>		
<u>Network</u>	<u>Hungerthon</u>			<u>Services</u>	<u>Services</u>					<u>Total</u>	
<b>Salaries and related expenses:</b>											
Salaries	\$ 29,010	\$ 276,517	\$ 259,200	\$ 266,332	\$ 223,270	\$ 1,054,329	\$ 109,047	\$ -	\$ 94,204	\$ 203,251	\$ 1,257,580
Payroll taxes and employee benefits	5,992	59,183	64,675	61,118	46,948	237,916	25,683	-	17,351	43,034	280,950
Total salaries and related expenses	<u>35,002</u>	<u>335,700</u>	<u>323,875</u>	<u>327,450</u>	<u>270,218</u>	<u>1,292,245</u>	<u>134,730</u>	<u>-</u>	<u>111,555</u>	<u>246,285</u>	<u>1,538,530</u>
<b>Other expenses:</b>											
Professional and contract	2,291	39,158	110,087	21,175	70,828	243,539	38,572	9,594	3,257	51,423	294,962
Postage and shipping	69	23,237	1,130	915	597	25,948	911	650	181	1,742	27,690
Supplies and other office expenses	499	10,139	6,525	8,025	12,142	37,330	20,579	1,781	1,213	23,573	60,903
Telephone and internet	449	4,803	5,667	5,094	3,887	19,900	2,189	-	1,178	3,367	23,267
Occupancy	3,087	33,023	38,963	34,856	26,727	136,656	15,048	-	8,103	23,151	159,807
Staff travel	1,627	3,218	27,762	19,065	3,669	55,341	4,052	-	317	4,369	59,710
Printing and publications	153	-	278	235	-	666	1,314	2,278	-	3,592	4,258
Equipment rentals	107	2,093	1,348	1,206	925	5,679	521	-	280	801	6,480
Dues, fees and subscription	717	2,921	3,449	3,381	8,557	19,025	2,038	-	560	2,598	21,623
Conference and meetings	521	468	33,874	14,990	439	50,292	163	-	88	251	50,543
Grants, awards and donations	7,841	145	68,308	478,066	117	554,477	66	-	36	102	554,579
Bank charges and interest	157	13,464	1,988	2,572	1,363	19,544	8,608	-	413	9,021	28,565
Insurance	413	4,259	4,708	4,372	3,450	17,202	1,862	-	1,174	3,036	20,238
Advertising	2	19	67,030	20	408	67,479	8	-	5	13	67,492
Repairs and maintenance	110	1,176	1,387	1,241	951	4,865	536	-	288	824	5,689
Program supplies	-	46,874	-	-	-	46,874	2,170	-	-	2,170	49,044
Event venue and audiovisual expenses	-	-	-	-	-	-	-	110,779	-	110,779	110,779
Meals and entertainment	229	1,949	1,190	3,144	425	6,937	933	-	114	1,047	7,984
Miscellaneous	67	854	990	754	628	782	326	-	175	501	1,283
Bad debt expense	-	199	-	-	-	199	700	-	-	700	899
Total expenses before depreciation and amortization	<u>53,341</u>	<u>523,699</u>	<u>698,559</u>	<u>926,561</u>	<u>405,331</u>	<u>2,604,980</u>	<u>235,326</u>	<u>125,082</u>	<u>128,937</u>	<u>489,345</u>	<u>3,094,325</u>
Depreciation and amortization	858	9,175	10,825	9,684	7,426	37,968	4,181	-	2,250	6,431	44,399
Total expenses	<u>\$ 54,199</u>	<u>\$ 532,874</u>	<u>\$ 709,384</u>	<u>\$ 936,245</u>	<u>\$ 412,757</u>	<u>\$ 2,645,459</u>	<u>\$ 239,507</u>	<u>\$ 125,082</u>	<u>\$ 131,187</u>	<u>\$ 495,776</u>	<u>\$ 3,141,235</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,199	\$ 56,887
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	21,699	44,399
Realized gain on sale of investments	(37,527)	(34,826)
Unrealized loss (gain) on investments	79,434	(67,605)
Donated stocks	(93,478)	(296,757)
Decrease (increase) in assets:		
Contributions receivable	(305,873)	197,703
Prepaid and other assets	4,797	(19,956)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	49,284	36,671
Grants payable	2,786	(128,566)
Net cash used by operating activities	<u>(270,679)</u>	<u>(212,050)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	204,683	421,118
Purchases of investments	(103,729)	(126,334)
Purchases of fixed assets	<u>(5,648)</u>	<u>(877)</u>
Net cash provided by investing activities	<u>95,306</u>	<u>293,907</u>
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	609,000	417,000
Principal payments of line of credit	<u>(609,000)</u>	<u>(417,000)</u>
Net cash used by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(175,373)	81,857
Cash and cash equivalents, beginning of year	<u>427,035</u>	<u>345,178</u>
Cash and cash equivalents, end of year	<u>\$ 251,662</u>	<u>\$ 427,035</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 6,663</u>	<u>\$ 3,964</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of the Organization:

WhyHunger, Inc. (WhyHunger) was founded in 1975 by singer/songwriter Harry Chapin and the former Executive Director, Bill Ayres, as World Hunger Year, Inc. On April 24, 2015, WhyHunger amended its certificate of incorporation to change its name from World Hunger Year, Inc. to WhyHunger, Inc.

WhyHunger believes a world without hunger is possible. WhyHunger provides critical resources to support grassroots movements and fuel community solutions rooted in social, environmental, racial and economic justice. WhyHunger is working to end hunger and advance the human right to nutritious food in the United States of America and around the world. WhyHunger programs include Grassroots Action Network, Artists Against Hunger and Poverty/Hungerthon, Nourish, Global Movements and General Media for Program Services.

### 2. Summary of significant accounting policies:

**Basis of presentation:** The financial statements of WhyHunger have been prepared on the accrual basis of accounting.

**Financial statement presentation:** The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), WhyHunger reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net assets without donor restriction* - net assets available for general use to support operations. The only limits on the use of net assets without donor restriction are broad limits resulting from the nature of WhyHunger, the environment in which it operates, and the purposes specified in its corporate documents.

The WhyHunger Board of Directors has designated a portion of net assets without donor restrictions as a board designated endowment fund for the purpose of securing WhyHunger's long-term financial viability. Refer to Note 11 for more information.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

#### Financial statement presentation (continued):

*Net assets with donor restriction* - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Cash and cash equivalents:** WhyHunger considers all cash and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Investments at fair value:** Investments consist of common stocks which are adjusted to their fair market value at the Statement of Financial Position date, resulting in either an unrealized gain or loss.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

**Fair value measurements and disclosures:** Accounts Standards Codification (ASC) 820, *Fair Value Measurement*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

ASC 820 defines fair value as the price to sell an asset or transfer a liability (i.e., the exit price) in an orderly transaction between market participants. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset developed based on market data obtained from sources independent of WhyHunger. Unobservable inputs are inputs that reflect WhyHunger's assumptions about the assumptions market participants would use in pricing the asset based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

#### Fair value measurements and disclosures (continued):

Level 1 - Observable inputs are unadjusted, quoted prices for identical assets or liabilities in active market at the measurement date. Level 1 securities include highly liquid U.S. Treasury securities, certain commons stocks and mutual funds.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. Most debt securities, preferred stocks, certain equity securities, short-term investments and derivatives are model priced using observable inputs and are classified as Level 2.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Examples of Level 3 assets include investments in limited partnerships.

There are no financial assets or liabilities classified as Level 2 or 3 other than the intangible assets described in Note 8 that are designated as Level 3 assets under the fair value hierarchy described above.

The following table presents the changes in Level 3 software and technology investments measured at fair value on a non-recurring basis as of December 31:

	<u>2018</u>	<u>2017</u>
Balance, net, January 1	\$ 25,059	\$ 65,413
Amortization	<u>(18,085)</u>	<u>(40,354)</u>
Balance, net, December 31	<u>\$ 6,974</u>	<u>\$ 25,059</u>

**Endowment:** The New York Prudent Management of Institutional Funds Act (NYPMIFA) applies to the WhyHunger endowment fund. NYPMIFA provides guidance and authority to charitable organizations concerning the management and investment of endowment funds held. WhyHunger classifies as net assets with donor restrictions (to be held in perpetuity) the original value of the gifts donated to the donor restricted endowment and the original value of any subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by WhyHunger in a matter consistent with the donor stipulated purposes within the standard of prudence established by NYPMIFA.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

**Underwater endowment:** WhyHunger considers its endowment to be underwater if the fair value is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. WhyHunger has no underwater endowment funds at December 31, 2018 or 2017.

**Contributions and promises to give:** Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Provisions for doubtful accounts:** All receivables, as stated in the financial statements, are deemed by WhyHunger's management to be fully collectible. Accordingly, no allowance for doubtful accounts has been established at December 31, 2018 or 2017.

**Revenue recognition and royalty income:** Revenue is recognized when earned and consists primarily of royalty income earned by WhyHunger from non-related parties. These royalties include funds raised for WhyHunger by the sale of certain merchandise.

**Donated services and materials:** Donated stock is recorded at its fair market value at the time of the donation. Where measurable, gifts in-kind are recorded at their fair market value. During the years ended December 31, 2018 and 2017, WhyHunger received donated radio air time in connection with its Hungerthon event. The fair market value of this donated air time was not measurable and, therefore the donation is not recognized in the accompanying Statements of Activities.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

#### Donated services and materials (continued):

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers provided various services throughout the year to WhyHunger that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Advertising:** Advertising is charged to expense as incurred. At December 31, 2018 and 2017, WhyHunger received donated web-based advertising valued at \$101,852 and \$66,958, respectively.

**Fixed assets:** Fixed assets are stated at cost. WhyHunger capitalizes expenditures for additional renewals and betterments. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Furniture and fixtures	5-7 years
Computer and office equipment	5 years
Leasehold improvements	5 years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the related assets.

**Long-lived assets:** Long-lived assets are calculated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. No such impairment losses have been necessary through December 31, 2018.

**Intangible assets:** Intangible assets subject to amortization include software and technology assets, which are being amortized on a straight-line method over five years.

**Grants payable:** Grants authorized but unpaid at year-end are reported as liabilities. All grants payable are classified as current on the Statements of Financial Position.

**Deferred revenue:** Revenue related to receipts collected prior to the occurrence of special events is deferred and recognized in the period in which the special event is held. WhyHunger recorded no deferred revenue at December 31, 2018 or 2017.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

**Functional allocation of expenses:** The Statements of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

**Income taxes:** WhyHunger was incorporated in the State of New York and is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, WhyHunger has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code.

WhyHunger offers employees the opportunity to pay for qualified transportation fringe benefits on a pre-tax basis. Under section 512 (a)(7) of The Tax Cuts and Jobs Act of 2017, effective in 2018 this benefit is considered Unrelated Business Income (UBI) subject to tax for WhyHunger. Unrelated business income tax related to this benefit is estimated at \$5,382 for 2018, and is reflected within taxes, fines and penalties on the 2018 Statement of Functional Expenses. There was no unrelated business income for the year ended December 31, 2017.

ASC 740 requires that organizations must recognize the tax impact of a tax position taken on a tax return when it is more likely than not that the position will not be sustained on audit, based on the technical merits of the position. WhyHunger does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. WhyHunger has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, WhyHunger has filed Internal Revenue Service Form 990 tax returns, as required. During 2018, WhyHunger received notification from the IRS of amounts owed related to a late filed payroll tax return with related interest from a prior tax period. A dispute has been duly filed with the IRS and WhyHunger is awaiting a ruling. A total of \$29,965 is reflected within taxes, fines and penalties on the 2018 Statement of Functional Expenses and is accrued. During the year ended December 31, 2017, there were no interest or penalties recorded.



# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued):

**Use of estimates:** In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of

**Concentration of credit risk:** Financial instruments, which potentially subject WhyHunger to concentration of credit risk, consist primarily of cash and cash equivalents. At times, WhyHunger has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits.

**Change in accounting principle:** In August 2016, The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The major changes impacting WhyHunger include: (1) requiring the presentation of only two classes of net assets now titled "net assets with donor restriction" and "net assets without donor restriction", (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (4) presenting investment return net of external investment expenses, and (5) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. WhyHunger has adopted ASU 2016-14 as of and for the year ended December 31, 2018, with retrospective application for the 2017 financial statements. As a result, investment expenses are netted against investment return (loss) on the Statements of Activities, without disclosure of the investment expense amount. WhyHunger also changed its presentation of net asset classes and expanded footnote disclosures as required by ASU 2016-14.

**Reclassifications:** Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent events:** Subsequent events have been evaluated through April 11, 2019, which is the date the financial statements were available to be issued.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 3. Investments at fair value:

Investments at December 31, 2018 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$531,523	\$627,262

Investments at December 31, 2017 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$501,471	\$676,645

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2018 and 2017.

The investments are managed by professional investment advisors and managers.

WhyHunger's holdings in equities consist entirely of common stock securities which are carried at their aggregate market values as determined by the quoted market prices at the end of each business day. WhyHunger includes these prices in the amounts disclosed in Level 1 of the hierarchy. The following tables present WhyHunger's assets at December 31, 2018 and 2017 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b><u>2018</u></b>				
Common stocks	\$627,262	\$627,262	\$ -	\$ -
<b><u>2017</u></b>				
Common stocks	\$676,645	\$676,645	\$ -	\$ -

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 3. Liquidity and availability:

	<u>2018</u>	<u>2017</u>
Total financial assets at year-end:		
Cash and cash equivalents	\$ 251,662	\$ 427,035
Investments at fair value	627,262	676,645
Contributions receivable	<u>1,099,786</u>	<u>793,913</u>
Total financial assets at year-end	<u>\$1,978,710</u>	<u>\$1,897,593</u>
Less amounts not available to be used within one year:		
Contributions receivable, long-term	\$ (6,000)	\$ (13,000)
Donor-restricted endowment	(100,000)	(100,000)
Internal Board designated endowment	<u>(534,219)</u>	<u>(567,459)</u>
Total amounts not available to be used within one year	<u>\$ (640,219)</u>	<u>\$ (680,459)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,338,491</u>	<u>\$1,217,134</u>

WhyHunger receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

In 1995 certain members of the WhyHunger governing board established a Board designated fund for the benefit of WhyHunger. In June 2016, the Board established this fund as the WhyHunger Harry Chapin Endowment Fund. A portion of the income and/or gain earned by the Board designated endowment fund, after the fund reaches an intended goal of \$600,000, may be distributed as general support revenue for WhyHunger's programs. The board designated endowment did not exceed this threshold at December 31, 2018 or 2017.

WhyHunger manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. WhyHunger operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Further, the WhyHunger investment portfolio consists of common stocks which are not subject to

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 4. Liquidity and availability (continued):

any constraints limiting WhyHunger's ability to respond quickly to changes in market conditions.

WhyHunger also has a line of credit available to meet short-term needs. See Note 9 for information about this arrangement.

### 5. Contributions receivable:

Conditional promises to give are not recognized in the financial statements until the underlying conditions are substantially met. In April 2014, WhyHunger received a five-year conditional promise to give totaling \$750,000. During the years ending December 31, 2018 and 2017, WhyHunger recognized contributions of \$175,000 and \$165,000, respectively, related to this promise. To date, total contributions of \$750,000 have been recognized related to this promise as the underlying administrative conditions were substantially met.

Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The present value of future cash flows of the WhyHunger long-term receivables mirrors face value, accordingly no discount is recorded. Unconditional promises to give recorded at December 31, 2018 and 2017, along with the expected maturity date of the gifts, are as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give	\$1,099,786	\$793,913
Amounts due in:		
Less than one year	\$1,093,786	\$780,913
One to five years	5,000	11,000
More than five years	<u>1,000</u>	<u>2,000</u>
Total	<u>\$1,099,786</u>	<u>\$793,913</u>

At December 31, 2018, unconditional promises to give from two donors comprised approximately 26% of the total receivable balance. At December 31, 2017, an unconditional promise to give from one donor comprised approximately 21% of the total receivable balance. In addition, during the year ended December 31, 2018 support from one separate donor comprised approximately 13% of WhyHunger's total annual revenue and support.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 6. Prepaid and other assets:

Included in prepaid and other assets are various autographed musical instruments and other memorabilia for future fundraising auction donations, security deposits and prepaid insurance. At December 31, 2018 and 2017, the total balance of prepaid and other assets was \$92,014 and \$96,811, respectively. Of this amount, \$55,356 and \$62,030 at December 31, 2018 and 2017, respectively, pertains to autographed musical instruments and other memorabilia.

### 7. Fixed assets, net:

Fixed assets, net consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 81,041	\$ 81,041
Computer and office equipment	69,342	63,694
Leasehold improvements	<u>20,609</u>	<u>20,609</u>
	170,992	165,344
Less accumulated depreciation	<u>163,938</u>	<u>160,324</u>
Fixed assets, net	<u>\$ 7,054</u>	<u>\$ 5,020</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$3,614 and \$4,045, respectively, is included within depreciation and amortization on the Statements of Functional Expenses.

### 8. Intangible assets, net:

Intangible assets, net consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Software and technology	\$611,597	\$ 611,597
Less accumulated amortization	<u>604,623</u>	<u>586,538</u>
Intangible assets, net	<u>\$ 6,974</u>	<u>\$ 25,059</u>

Amortization expense for the years ended December 31, 2018 and 2017 totaled \$18,085 and \$40,354 respectively and is included within depreciation and amortization on the Statements of Functional Expenses.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 8. Intangible assets, net (continued):

Estimated amortization expense over future years is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 4,650
2020	<u>2,324</u>
Total	<u>\$ 6,974</u>

### 9. Line of credit:

WhyHunger has a line of credit with a financial institution in the amount of \$750,000 which matures on June 30, 2019. Prior to entering into this line of credit on November 7, 2019, WhyHunger had available a line of credit in the amount of \$500,000. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime (5.50% at December 31, 2018) plus one percentage point rounded to the next highest 0.125 and is never to be less than 6.25%. At December 31, 2018 and 2017, outstanding borrowings under this line totaled \$-0-.

### 10. Commitments:

In January 2017, WhyHunger renewed its lease for office space, extending the term through January 2022. WhyHunger also leases various copier and computer machines with terms through May 2022. Minimum future annual rentals are approximately as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 158,000
2020	162,000
2021	161,000
2022	<u>14,000</u>
Total	<u>\$ 495,000</u>

For the year ended December 31, 2018, rent expense for the WhyHunger office lease was \$161,575, copier rent expense was \$1,980 and computer rent expense was \$15,527 which is reflected within occupancy expense, equipment rentals expense, and supplies and other office expenses, respectively, on the 2018 Statement of Functional Expenses.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 10. Commitments (continued):

For the year ended December 31, 2017 rent expense for the WhyHunger office lease was \$159,807, copier rent expense was \$1,797 and computer rent expense was \$17,565 which is reflected within occupancy expense, equipment rentals expense, and supplies and other office expenses, respectively, on the 2017 Statement of Functional Expenses.

### 11. Board designated fund:

In 1995, certain members of the Board of Directors, in their individual capacities, undertook to establish a Board designated fund for the benefit of WhyHunger. In June 2016, the Board established this fund as the WhyHunger Harry Chapin Endowment Fund. Since this amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restriction.

### 12. Net assets with donor restriction:

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to program expenditure for a specified purpose:		
U.S. Food Sovereignty Alliance	\$ 52,577	\$ 36,063
Puerto Rico hurricane victim support	-	19,827
La Finca farmer cooperative	36,109	-
Endowment funds subject to appropriation and expenditure	19,032	26,981
Program expenses, including re-granting of funds	<u>736,526</u>	<u>626,817</u>
Total purpose restriction	844,244	709,688
Subject to the passage of time	9,000	21,000
Subject to be held in perpetuity	<u>100,000</u>	<u>100,000</u>
Total	<u>\$953,244</u>	<u>\$830,688</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 13. Net assets released from restrictions:

During the years ended December 31, 2018 and 2017, net assets with donor restrictions were released for the following purposes:

	<u>2018</u>	<u>2017</u>
Satisfaction of program restrictions:		
U.S. Food Sovereignty Alliance	\$ 36,063	\$ 12,338
Puerto Rico hurricane victim support	19,827	-
Program expenses, including re-granting of funds	<u>554,011</u>	<u>593,815</u>
Total satisfaction of program restrictions	609,901	606,153
Expiration of time restrictions	<u>12,000</u>	<u>6,000</u>
Total	<u>\$621,901</u>	<u>\$612,153</u>

### 14. Endowment:

WhyHunger's endowment consists of donor-restricted and board designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Donor-restricted endowment net assets of \$100,000 are held in perpetuity at December 31, 2018 and 2017, the distributions from which are to be used to the extent available and necessary to provide support for an annual concert intended to raise awareness about hunger, health, and other important issues, as well as the work of WhyHunger and its chosen community partner.

**Interpretation of the relevant law:** The spending of endowment funds by a not-for-profit foundation in the State of New York is currently governed by NYPMIFA. WhyHunger has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. WhyHunger classifies as net assets with donor restrictions (to be held in perpetuity) (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument.



# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 14. Endowment (continued):

#### Interpretation of the relevant law (continued):

In accordance with NYPMIFA, WhyHunger considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of WhyHunger and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of WhyHunger, (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on WhyHunger, and (8) the investment policy of WhyHunger.

#### Investment return objectives, risk parameters, strategies and spending policy:

WhyHunger follows an investment policy, approved for all investments including endowment assets. According to WhyHunger policy, endowment funds shall be invested with the objective of preserving the long-term real purchasing power of the funds' assets while realizing appropriate investment income. Endowment fund assets may be invested in certificates of deposit, Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, mutual funds, exchange traded funds, equities (including common stock, preferred stock, convertible securities and other equities, whether traded on an exchange or not publicly traded), fixed income securities, real estate, commodities, natural-resource related stock, hedge funds, derivatives, alternate investment vehicles and, as to an appropriate portion, cash equivalent investments. The asset allocation of each of the endowment funds shall be determined from time to time by the Board of Directors, in consultation with any managers or advisors if desired (unless the Board delegates such task to an external manager), which allocation shall reflect a proper balance of the endowment fund's investment objective, any risk tolerance standard and the need for liquidity.

Investments of each endowment fund are to be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Board of Directors prudently determines that, because of special circumstances, the purposes of the fund are better served without diversification.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 14. Endowment (continued):

#### Investment return objectives, risk parameters, strategies and spending policy (continued):

The Board of Directors will also review from time to time WhyHunger's arrangements with any investment managers, investment advisors, custodians and the banks and other entities with which WhyHunger maintains its financial assets to ensure that the costs and fees associated with each such arrangement are appropriate and reasonable in relation to the assets, WhyHunger's purposes and the skills available.

It is understood that spending of the donor-restricted endowment is to be limited to market appreciation on the original funds contributed. In the event that the endowment account's market value is below the value of the original amount contributed, spending will cease until such a time when the account has recovered its original value through market appreciation. A portion of the income and/or gain earned by the Board designated endowment fund, after the fund reaches an intended goal of \$600,000 and sustained a value of \$600,000 or more for two consecutive quarters, may be distributed as general support for WhyHunger's programs. On at least an annual basis, the Finance Committee of the Board of Directors shall recommend an amount to be transferred from the income and/or gain of the Board designated endowment fund to the general operating fund of WhyHunger. A percentage of between 1% and 7% would be recommended by the Finance Committee for distribution based on the Finance Committee's evaluation and discretion. It is the Board of Director's intention that the value of the Board designated endowment fund not fall below \$600,000 through any distribution.

Endowment net asset composition as of December 31, 2018 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$119,032	\$119,032
Board-designated endowment funds	<u>534,219</u>	<u>-</u>	<u>534,219</u>
Total funds	<u>\$534,219</u>	<u>\$119,032</u>	<u>\$653,251</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

**14. Endowment (continued):**

Changes in endowment net assets as of December 31, 2018 are as follows:

	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$567,459	\$ 126,981	\$694,440
Net investment income (expense)	858	(288)	570
Net depreciation	<u>(34,098)</u>	<u>(7,661)</u>	<u>(41,759)</u>
Endowment net assets, end of year	<u>\$534,219</u>	<u>\$119,032</u>	<u>\$653,251</u>

Endowment net asset composition as of December 31, 2017 is as follows:

	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$126,981	\$126,981
Board-designated endowment funds	<u>567,459</u>	<u>-</u>	<u>567,459</u>
Total funds	<u>\$567,459</u>	<u>\$126,981</u>	<u>\$694,440</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$482,028	\$108,379	\$590,407
Net investment income (expense)	1,828	(226)	1,602
Net appreciation	<u>83,603</u>	<u>18,828</u>	<u>102,431</u>
Total funds	<u>\$567,459</u>	<u>\$126,981</u>	<u>\$694,440</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 15. Pension plan:

WhyHunger's defined contribution pension plan was established in 1993 under Section 403(b) of the Code. All employees, excluding those who normally work less than 20 hours per week, are eligible to participate in the pension plan upon date of hire. Participating employees contribute to the plan in the form of semi-monthly contributions (subject to annual IRS limitations). The plan provision called for an employer contribution of 5% of compensation after two years of service on a monthly basis. However, as of September 15, 2013, the plan was amended to change the non-elective contribution formula to a discretionary contribution. Several other aspects of the Plan were amended in January 2018. For the years ended December 31, 2018 and 2017, WhyHunger made a discretionary contribution to the plan totaling \$23,629 and \$22,897, respectively.

### 16. Related parties:

During the year ended December 31, 2017, WhyHunger contracted with a printing company owned by one Board member and incurred expense \$730. No such costs were incurred during the year ended December 31, 2018. During 2018 and 2017, WhyHunger also incurred legal expense of \$4,150 and \$1,615, respectively, to a law firm owned by another Board member.

At December 31, 2018 and 2017, the Statements of Financial Position reflect pledge receivables of \$14,650 and \$3,000, respectively, from a member of the WhyHunger Board of Directors.

### 17. Upcoming accounting pronouncements:

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 establishes principles for reporting revenue arising from an organization's contracts with customers. The core principle of ASU 2014-09 requires an organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The requirements of ASU 2014-09 are effective for WhyHunger's fiscal year ending December 31, 2019. WhyHunger is currently evaluating the impact of this pronouncement.

On June 21, 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from ASU 2014-09, Revenue from Contracts with

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

**17. Upcoming accounting pronouncements (continued):**

Customers (Topic 606), regarding its implications on grants and contracts of not-for-profit organizations. The requirements of ASU 2018-08 are effective for WhyHunger's fiscal year ending December 31, 2019. WhyHunger is currently evaluating the impact of this pronouncement.

In February 2016, FASB released ASU 2016-02, Leases (ASC 842). Under ASU 2016-02, lessees will be required to bring substantially all leases onto their balance sheets by recording a right-of-use asset and lease liability. Expense will be recognized on a straight-line basis for an operating lease. Recognition of expense for a finance lease will be similar to the current treatment of capital leases. The requirements of ASU 2016-02 are effective for WhyHunger's fiscal year ending December 31, 2020. WhyHunger is currently evaluating the impact of this pronouncement.