

**WhyHunger, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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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, 2020 and 2019 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019 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.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
May 20, 2021

# WhyHunger, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,761,879	\$ 90,227
Investments at fair value	935,585	784,381
Contributions and accounts receivable, current, net of allowance for doubtful accounts of \$31,850 in 2020 and \$-0- in 2019	486,348	857,657
Prepaid and other assets	<u>106,582</u>	<u>140,965</u>
Total current assets	<u>3,290,394</u>	<u>1,873,230</u>
<b>Long-term assets:</b>		
Fixed assets, net	4,084	6,821
Intangible assets, net	-	2,324
Contributions and accounts receivable, long-term	<u>-</u>	<u>9,000</u>
Total long-term assets	<u>4,084</u>	<u>18,145</u>
Total assets	<u>\$ 3,294,478</u>	<u>\$ 1,891,375</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 512,926	\$ 128,642
Grants payable	297,110	35,000
Line of credit	<u>-</u>	<u>150,000</u>
Total current liabilities	<u>810,036</u>	<u>313,642</u>
<b>Net assets:</b>		
<b>Without donor restriction:</b>		
Undesignated	814,476	157,434
Designated by the Board for operating reserve fund	160,000	-
Designated by the Board for endowment	<u>781,191</u>	<u>656,958</u>
Total without donor restriction	<u>1,755,667</u>	<u>814,392</u>
<b>With donor restriction:</b>		
Purpose restricted	628,775	656,341
Time restricted for future periods	-	7,000
Perpetual in nature	<u>100,000</u>	<u>100,000</u>
Total with donor restriction	<u>728,775</u>	<u>763,341</u>
Total net assets	<u>2,484,442</u>	<u>1,577,733</u>
Total liabilities and net assets	<u>\$ 3,294,478</u>	<u>\$ 1,891,375</u>

The accompanying notes are an integral  
part of these financial statements

# WhyHunger, Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support:</b>			
Individual contributions	\$ 949,727	\$ 57,723	\$ 1,007,450
Foundation grants and corporate donations	3,069,476	416,677	3,486,153
Artists Against Hunger and Poverty/Hungerthon	1,254,110	-	1,254,110
Paycheck Protection Program (PPP) grant	331,500	-	331,500
Realized and unrealized gains on investments	116,771	22,502	139,273
Interest and other income, net investment fees	6,536	1,486	8,022
Miscellaneous	399	-	399
Net assets released from restrictions	<u>532,954</u>	<u>(532,954)</u>	<u>-</u>
Total revenue and support	<u>6,261,473</u>	<u>(34,566)</u>	<u>6,226,907</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	680,090	-	680,090
Artists Against Hunger and Poverty/Hungerthon	898,040	-	898,040
Nourish	1,385,345	-	1,385,345
Global Movements	1,359,224	-	1,359,224
General Media for Program Services	496,993	-	496,993
Total program services	<u>4,819,692</u>	<u>-</u>	<u>4,819,692</u>
<b>Support services:</b>			
Fundraising	293,716	-	293,716
Management and general	206,790	-	206,790
Total support services	<u>500,506</u>	<u>-</u>	<u>500,506</u>
Total expenses	<u>5,320,198</u>	<u>-</u>	<u>5,320,198</u>
Change in net assets	941,275	(34,566)	906,709
Net assets, beginning of year	<u>814,392</u>	<u>763,341</u>	<u>1,577,733</u>
Net assets, end of year	<u>\$ 1,755,667</u>	<u>\$ 728,775</u>	<u>\$ 2,484,442</u>

The accompanying notes are an integral  
part of these financial statements

# WhyHunger, Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support:</b>			
Individual contributions	\$ 191,908	\$ 20,346	\$ 212,254
Foundation grants and corporate donations	754,811	470,546	1,225,357
Artists Against Hunger and Poverty/Hungerthon	1,076,325	-	1,076,325
Special events, gross	587,779	-	587,779
Realized and unrealized gains on investments	117,447	26,580	144,027
Interest and other income, net investment fees	5,355	984	6,339
Miscellaneous	29,965	-	29,965
Net assets released from restrictions	<u>708,359</u>	<u>(708,359)</u>	<u>-</u>
Total revenue and support	<u>3,471,949</u>	<u>(189,903)</u>	<u>3,282,046</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	283,661	-	283,661
Artists Against Hunger and Poverty/Hungerthon	498,270	-	498,270
Nourish	1,073,575	-	1,073,575
Global Movements	571,828	-	571,828
General Media for Program Services	<u>446,111</u>	<u>-</u>	<u>446,111</u>
Total program services	<u>2,873,445</u>	<u>-</u>	<u>2,873,445</u>
<b>Support services:</b>			
Fundraising	382,432	-	382,432
Costs of direct benefit to donors	123,373	-	123,373
Management and general	<u>133,598</u>	<u>-</u>	<u>133,598</u>
Total support services	<u>639,403</u>	<u>-</u>	<u>639,403</u>
Total expenses	<u>3,512,848</u>	<u>-</u>	<u>3,512,848</u>
Change in net assets	(40,899)	(189,903)	(230,802)
Net assets, beginning of year	<u>855,291</u>	<u>953,244</u>	<u>1,808,535</u>
Net assets, end of year	<u>\$ 814,392</u>	<u>\$ 763,341</u>	<u>\$ 1,577,733</u>

The accompanying notes are an integral  
part of these financial statements

## WhyHunger, Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<u>Program Services</u>						<u>Supporting Services</u>				
	<u>Grassroots Action Network</u>	<u>Artists Against Hunger and Poverty/Hungerthon</u>	<u>Nourish</u>	<u>Global Movements</u>	<u>General Media for Program Services</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Costs of Direct Benefit to Donors</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total</u>
<b>Salaries and related expenses:</b>											
Salaries	\$ 164,775	\$ 312,461	\$ 253,495	\$ 338,970	\$ 164,770	\$ 1,234,471	\$ 162,667	\$ -	\$ 149,281	\$ 311,948	\$ 1,546,419
Payroll taxes and employee benefits	39,628	69,865	62,208	86,837	36,875	295,413	37,742	-	30,954	68,696	364,109
Total salaries and related expenses	204,403	382,326	315,703	425,807	201,645	1,529,884	200,409	-	180,235	380,644	1,910,528
<b>Other expenses:</b>											
Professional and contract	81,099	92,572	131,238	29,075	243,208	577,192	18,494	-	10,614	29,108	606,300
Postage and shipping	696	27,519	540	771	400	29,926	383	-	153	536	30,462
Supplies and other office expenses	24,754	6,036	5,890	3,912	7,092	47,684	20,000	-	1,044	21,044	68,728
Telephone and internet	2,430	4,207	6,676	4,144	2,831	20,288	2,747	-	1,035	3,782	24,070
Occupancy	15,948	30,322	32,094	33,866	22,840	135,070	21,265	-	9,057	30,322	165,392
Staff travel	2,398	2,212	1,252	1,494	1,748	9,104	3,219	-	573	3,792	12,896
Printing and publications	31	52	55	3,254	61	3,453	92	-	17	109	3,562
Equipment rentals	670	1,273	2,644	1,422	959	6,968	893	-	380	1,273	8,241
Dues, fees and subscriptions	386	656	1,759	2,639	8,239	13,679	2,031	-	206	2,237	15,916
Conference and meetings	1,625	293	5,548	16,925	151	24,542	2,897	-	177	3,074	27,616
Grants, awards and donations	339,178	-	726,627	823,998	-	1,889,803	-	-	-	-	1,889,803
Bank charges and interest	2,106	17,462	2,475	2,645	1,761	26,449	6,354	-	698	7,052	33,501
Taxes, fines and penalties	464	882	934	985	665	3,930	2,869	-	264	3,133	7,063
Insurance	2,380	4,459	5,133	5,135	3,249	20,356	3,066	-	1,393	4,459	24,815
Advertising	-	-	143,615	-	-	143,615	-	-	-	-	143,615
Repairs and maintenance	463	880	931	983	663	3,920	617	-	263	880	4,800
Program supplies	-	79,755	-	-	-	79,755	-	-	-	-	79,755
Meals and entertainment	104	494	350	211	162	1,321	139	-	140	279	1,600
Miscellaneous	410	6,259	785	801	539	8,794	515	-	233	748	9,542
Bad debt and contingent expenses	-	239,345	-	-	-	239,345	7,000	-	-	7,000	246,345
Total expenses before depreciation and amortization	679,545	897,004	1,384,249	1,358,067	496,213	4,815,078	292,990	-	206,482	499,472	5,314,550
Depreciation and amortization	545	1,036	1,096	1,157	780	4,614	726	-	308	1,034	5,648
Total expenses	<u>\$ 680,090</u>	<u>\$ 898,040</u>	<u>\$ 1,385,345</u>	<u>\$ 1,359,224</u>	<u>\$ 496,993</u>	<u>\$ 4,819,692</u>	<u>\$ 293,716</u>	<u>\$ -</u>	<u>\$ 206,790</u>	<u>\$ 500,506</u>	<u>\$ 5,320,198</u>

The accompanying notes are an integral part of these financial statements



## WhyHunger, Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	<u>Program Services</u>						<u>Supporting Services</u>				
	<u>Grassroots Action Network</u>	<u>Artists Against Hunger and Poverty/Hungerthon</u>	<u>Nourish</u>	<u>Global Movements</u>	<u>General Media for Program Services</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Costs of Direct Benefit to Donors</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total</u>
<b>Salaries and related expenses:</b>											
Salaries	\$ 163,914	\$ 272,894	\$ 248,418	\$ 261,849	\$ 201,667	\$ 1,148,742	\$ 202,796	\$ -	\$ 99,241	\$ 302,037	\$ 1,450,779
Payroll taxes and employee benefits	33,216	55,600	56,411	62,808	41,180	249,215	52,327	-	17,841	70,168	319,383
Total salaries and related expenses	197,130	328,494	304,829	324,657	242,847	1,397,957	255,123	-	117,082	372,205	1,770,162
<b>Other expenses:</b>											
Professional and contract	35,000	24,788	73,410	17,343	131,228	281,769	38,916	6,064	3,156	48,136	329,905
Postage and shipping	106	19,468	439	355	200	20,568	514	-	45	559	21,127
Supplies and other office expenses	1,595	4,185	5,589	3,362	6,294	21,025	8,595	1,295	1,628	11,518	32,543
Telephone and internet	2,164	4,007	4,168	3,534	3,697	17,570	2,910	-	807	3,717	21,287
Occupancy	15,869	30,247	32,492	29,209	27,090	134,907	23,496	-	6,794	30,290	165,197
Staff travel	5,112	2,298	32,861	13,916	3,803	57,990	6,191	-	187	6,378	64,368
Printing and publications	67	6,200	215	89	-	6,571	2,503	2,216	-	4,719	11,290
Equipment rentals	468	891	1,208	861	798	4,226	692	-	200	892	5,118
Dues, fees and subscriptions	1,046	117	1,609	2,306	3,432	8,510	69	-	20	89	8,599
Conference and meetings	3,059	570	19,931	14,157	7,312	45,029	4,597	-	40	4,637	49,666
Grants, awards and donations	14,785	-	465,151	147,729	7,362	635,027	-	-	-	-	635,027
Bank charges and interest	2,095	11,529	4,228	3,794	3,517	25,163	15,339	-	1,606	16,945	42,108
Taxes, fines and penalties	46	87	93	84	78	388	2,317	-	18	2,335	2,723
Insurance	2,063	3,874	4,903	3,855	3,467	18,162	3,026	-	897	3,923	22,085
Advertising	-	2,125	114,471	-	50	116,646	145	-	-	145	116,791
Repairs and maintenance	482	919	987	888	824	4,100	714	-	206	920	5,020
Program supplies	-	51,498	-	-	-	51,498	8,517	-	-	8,517	60,015
Event venue and audiovisual expenses	-	-	-	-	-	-	-	113,798	-	113,798	113,798
Meals and entertainment	705	2,837	2,730	2,119	1,064	9,455	6,127	-	177	6,304	15,759
Miscellaneous	1,000	2,480	2,482	1,971	1,564	9,497	1,355	-	362	1,717	11,214
Total expenses before depreciation and amortization	282,792	496,614	1,071,796	570,229	444,627	2,866,058	381,146	123,373	133,225	637,744	3,503,802
Depreciation and amortization	869	1,656	1,779	1,599	1,484	7,387	1,286	-	373	1,659	9,046
Total expenses	<u>\$ 283,661</u>	<u>\$ 498,270</u>	<u>\$ 1,073,575</u>	<u>\$ 571,828</u>	<u>\$ 446,111</u>	<u>\$ 2,873,445</u>	<u>\$ 382,432</u>	<u>\$ 123,373</u>	<u>\$ 133,598</u>	<u>\$ 639,403</u>	<u>\$ 3,512,848</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 906,709	\$ (230,802)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,648	9,046
Realized gain on sale of investments	(14,457)	(102,586)
Unrealized loss (gain) on investments	(124,816)	(41,441)
Donated stocks	(129,985)	(117,698)
Bad debt expense	(176,600)	-
Decrease (increase) in assets:		
Contributions and accounts receivable	556,909	233,129
Prepaid and other assets	34,383	(48,951)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	384,284	(95,412)
Grants payable	262,110	(17,163)
Net cash provided (used) by operating activities	<u>1,704,185</u>	<u>(411,878)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	427,091	717,889
Purchases of investments	(309,037)	(613,283)
Purchases of fixed assets	(587)	(4,163)
Net cash provided by investing activities	<u>117,467</u>	<u>100,443</u>
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	545,000	1,050,000
Principal payments of line of credit	(695,000)	(900,000)
Net cash provided (used) by financing activities	<u>(150,000)</u>	<u>150,000</u>
Net change in cash and cash equivalents	1,671,652	(161,435)
Cash and cash equivalents, beginning of year	90,227	251,662
Cash and cash equivalents, end of year	<u>\$ 1,761,879</u>	<u>\$ 90,227</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 5,661</u>	<u>\$ 16,007</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's 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: without donor restriction and 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.

WhyHunger's Board of Directors has designated a portion of net assets without donor restriction as a board designated endowment fund for the purpose of securing WhyHunger's long-term financial viability. During 2020, the Board of Directors also established a board designated operating reserve fund, intended to provide resilience for the mission, programs, staff employment and the ongoing operations of the Organization. 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 stock and mutual funds 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>2020</u>	<u>2019</u>
Balance, net, January 1	\$ 2,324	\$ 6,974
Amortization	<u>(2,324)</u>	<u>(4,650)</u>
Balance, net, December 31	<u>\$ -</u>	<u>\$ 2,324</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, 2020 and 2019.

**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 those in which a measurable barrier and right of return or release exists. When the measurable barrier is overcome, the promise becomes unconditional and the contribution is recognized.

WhyHunger records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the special event takes place.

**Allowance for doubtful accounts:** Receivables are closely monitored by WhyHunger's management to determine their collectability. An allowance for doubtful accounts has been established at December 31, 2020 in the amount of \$31,850. There was no allowance for doubtful accounts established at December 31, 2019.

**Donated services and materials:** Where measurable, gifts in-kind are recorded at their fair market value. Donated stock is recorded at its fair market value at the time of the donation. During the years ended December 31, 2020 and 2019, WhyHunger did not receive any in-kind donations where the fair market value was not measurable.

# 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. During the years ended December 31, 2020 and 2019, WhyHunger received donated web-based advertising valued at \$143,520 and \$112,200, 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, 2020.

**Intangible assets:** Intangible assets subject to amortization include software and technology assets, which were 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, 2020 or 2019.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

**Functional allocation of expenses:** The Statements of Functional Expenses 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. Effective in 2018 under section 512(a)(7) of the Tax Cuts and Jobs Act of 2017, this benefit was considered Unrelated Business Income (UBI) subject to tax. For the year ended December 31, 2018, the Organization paid unrelated business income tax (UBIT) related to this benefit of \$5,382. Under the Taxpayer Certainty and Disaster Tax Relief Act signed into law on December 20, 2019, UBIT on tax-exempt organization disallowed fringes was repealed retroactively. Therefore, the Organization expects to receive a refund of \$10,925 related to payments made during 2019 and 2018. As the refund has not yet been received, total receivable of \$10,925 is reflected within accounts receivable at December 31, 2020 and 2019 on the Statements of Financial Position.

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.



# 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 contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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.

**Reclassifications:** Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Change in accounting principles:** During year ended December 31, 2019, the Organization adopted the following pronouncements issued by the Financial Accounting Standards Board (FASB):

- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*
- ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

The pronouncements were adopted as of and for the year ended December 31, 2019, with retrospective application. There was no change in total net assets as a result of adoption of this new guidance.

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

### 3. Investments at fair value:

Investments at December 31, 2020 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$440,401	\$687,889
Mutual funds	<u>233,185</u>	<u>247,696</u>
Total	<u>\$673,586</u>	<u>\$935,585</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 3. Investments at fair value (continued):

Investments at December 31, 2019 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$427,791	\$557,651
Mutual funds	<u>219,409</u>	<u>226,730</u>
Total	<u>\$647,200</u>	<u>\$784,381</u>

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2020 and 2019. The investments are managed by professional investment advisors and managers.

WhyHunger's holdings in equities and mutual funds 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, 2020 and 2019 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>2020</u></b>				
Common stocks	\$ 687,887	\$687,887	\$ -	\$ -
Mutual funds	<u>247,696</u>	<u>247,696</u>	<u>-</u>	<u>-</u>
Total	<u>\$935,583</u>	<u>\$935,583</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>2019</u></b>				
Common stocks	\$557,651	\$557,651	\$ -	\$ -
Mutual funds	<u>226,730</u>	<u>226,730</u>	<u>-</u>	<u>-</u>
Total	<u>\$784,381</u>	<u>\$784,381</u>	<u>\$ -</u>	<u>\$ -</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 4. Liquidity and availability:

As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Total financial assets at year-end:		
Cash and cash equivalents	\$1,761,879	\$ 90,227
Investments at fair value	935,585	784,381
Contributions and accounts receivable, net	<u>486,348</u>	<u>866,657</u>
Total financial assets at year-end	<u>\$3,183,812</u>	<u>\$1,741,265</u>

	<u>2020</u>	<u>2019</u>
Less amounts not available to be used within one year:		
Contributions receivable, long-term	\$ -	\$ (9,000)
Donor-restricted endowment	(100,000)	(100,000)
Internal Board designated operating reserve fund	(160,000)	-
Internal Board designated endowment	<u>(781,191)</u>	<u>(656,958)</u>
Total amounts not available to be used within one year	<u>\$(1,041,191)</u>	<u>\$(765,958)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,142,621</u>	<u>\$ 975,307</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 (also see Notes 11 and 14). 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 exceeded this threshold at December 31, 2020, no amounts have been distributed by the Board.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

In April 2021, members of the WhyHunger governing board established a Board designated operating reserve fund for the benefit of WhyHunger (see Note 11), effective December 31, 2020. The purpose of the operating reserve is to provide an internal source of funds for situations such as sudden increases in expenses, unbudgeted expenses, unanticipated losses in funding and uninsured losses. For the year ended December 31, 2020, the Board approved \$160,000 for the operating reserve fund.

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, WhyHunger's investment portfolio consists of common stocks and mutual funds which are not subject to 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 and accounts receivable, net:

Conditional promises to give are those in which a measurable barrier and right of return or release exists. When the measurable barrier is overcome, the promise becomes unconditional and the contribution is recognized. WhyHunger received a three-year conditional promise to give totaling \$3,000,000. During the year ending 2020, WhyHunger recognized contributions of \$750,000, related to this promise. To date, total contributions of \$750,000 have been recognized related to this promise as the underlying programmatic and administrative barriers were overcome and a right of release no longer exists.

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 at December 31, 2019, mirrored face value, accordingly no discount was recorded. Unconditional promises to give recorded at December 31, 2020 and 2019, along with the expected maturity date of the gifts, are as follows:

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 5. Contributions and accounts receivable, net:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give, gross	<u>\$518,198</u>	<u>\$866,657</u>
Amounts due in:		
Less than one year	\$518,198	\$857,657
One to five years	-	9,000
Total	<u>\$518,198</u>	<u>\$866,657</u>

WhyHunger has recorded an allowance for doubtful accounts of \$31,850 at December 31, 2020.

During the year ended December 31, 2020 support from two separate donors comprised approximately 33% of WhyHunger's total annual revenue and support.

At December 31, 2019, an unconditional promise to give from one donor through the Organization's third-party auction site comprised approximately 16% of the total receivable balance. During the year ended December 31, 2019 support from one separate donor comprised approximately 11% of WhyHunger's total annual revenue and support.

### 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, 2020 and 2019, the total balance of prepaid and other assets was \$106,582 and \$140,965, respectively. Of this amount, \$88,925 and \$94,437 at December 31, 2020 and 2019, respectively, pertains to autographed musical instruments and other memorabilia.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 7. Fixed assets, net:

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

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 82,979	\$ 82,392
Computer and office equipment	72,154	72,154
Leasehold improvements	<u>20,609</u>	<u>20,609</u>
	175,742	175,155
Less accumulated depreciation	<u>171,658</u>	<u>168,334</u>
Fixed assets, net	<u>\$ 4,084</u>	<u>\$ 6,821</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$3,324 and \$4,396, 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>2020</u>	<u>2019</u>
Software and technology	\$ 611,597	\$ 611,597
Less accumulated amortization	<u>611,597</u>	<u>609,273</u>
Intangible assets, net	<u>\$ -</u>	<u>\$ 2,324</u>

Amortization expense for the years ended December 31, 2020 and 2019 totaled \$2,324 and \$4,650, respectively and is included within depreciation and amortization on the Statements of Functional Expenses. Intangible assets were fully amortized as of December 31, 2020.

### 9. Line of credit:

WhyHunger has a line of credit with a financial institution in the amount of \$750,000 which matures on October 28, 2021. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime (3.25% at December 31, 2020) plus one percentage point rounded to the next highest 0.125 and is never to be less than 5.25%. At December 31, 2020 and 2019, outstanding borrowings under this line totaled \$0- and \$150,000, respectively.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 10. Commitments and contingencies:

**Operating leases:** 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 June 2022. Minimum future annual rentals are approximately as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 161,000
2022	14,000
Total	<u>\$ 175,000</u>

For the year ended December 31, 2020, rent expense for the WhyHunger office lease was \$165,392, copier rent expense was \$1,980 and computer lease expense was \$10,562, which is reflected within occupancy expense, equipment rentals expense and supplies and other office expenses, respectively, on the 2020 Statement of Functional Expenses.

For the year ended December 31, 2019 rent expense for the WhyHunger office lease was \$165,197, copier rent expense was \$1,980 and computer rent expense was \$10,562 which is reflected within occupancy expense, equipment rentals expense and supplies and other office expenses, respectively, on the 2019 Statement of Functional Expenses.

**Hungerthon contingency:** As part of WhyHunger's annual Hungerthon event, various experiences are auctioned off in an effort to raise funds for WhyHunger's programs. WhyHunger received contributions related to these auctions, yet some of the related experiences were not fulfilled as of December 31, 2020 as a result of the coronavirus pandemic, stay at home orders and limits on large gatherings. As WhyHunger is uncertain as to whether these experiences will be fulfilled in the future, a contingency liability is recorded within accounts payable and other liabilities on Statement of Financial Position at December 31, 2020 in the amount of \$69,745, which represents the amount management believes may need to be reimbursed to respective donors in the event the related experiences are not fulfilled. Related expense is included within bad debt and contingent expense on the 2020 Statement of Functional Expenses.

**Coronavirus pandemic:** In March 2020, an outbreak of a new strain of Coronavirus, COVID-19, emerged as a pandemic in New York State and across the United States leading to widespread business shutdowns and significant volatility in the financial markets. To help blunt the spread of COVID-19 and reduce the density of exposure, many businesses and organizations temporarily ceased operations or began operating on a very limited or remote basis, other businesses and organizations increased hiring and other efforts to meet the pandemic's demand. The Coronavirus outbreak is still evolving.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 10. Commitments and Contingencies (continued):

#### Coronavirus pandemic (continued):

The ultimate extent of the pandemic's impact on the Organization will depend on future developments which are highly uncertain. Currently, management is unable to quantify the potential effects of the pandemic on operations and financial performance of the Organization.

### 11. Board designated funds:

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.

In April 2021, the Organization's Board of Directors established a Board designated operating reserve fund, effective December 31, 2020, for the benefit of WhyHunger. The purpose of the operating reserve is to provide an internal source of funds for situations such as sudden increases in expenses, unbudgeted expenses, unanticipated losses in funding and uninsured losses. For the year ended December 31, 2020, the Board approved \$160,000 for the operating reserve 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>2020</u>	<u>2019</u>
Subject to program expenditure for a specified purpose:		
U.S. Food Sovereignty Alliance	\$ -	\$ 59,730
La Finca farmer cooperative	3,946	11,351
Endowment funds subject to appropriation and expenditure	70,584	46,596
Program expenses, including re-granting of funds	<u>554,245</u>	<u>538,664</u>
Total purpose restriction	628,775	656,351
Subject to the passage of time	-	7,000
Subject to be held in perpetuity	<u>100,000</u>	<u>100,000</u>
Total	<u>\$728,775</u>	<u>\$763,341</u>



# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 13. Net assets released from restrictions:

During the years ended December 31, 2020 and 2019, net assets with donor restrictions were released for the following purposes:

	<u>2020</u>	<u>2019</u>
Satisfaction of program restrictions:		
U.S. Food Sovereignty Alliance	\$ 59,730	\$ 12,838
La Finca farmer cooperative	7,405	24,758
Program expenses, including re-granting of funds	<u>458,819</u>	<u>668,763</u>
Total satisfaction of program restrictions	525,954	706,359
Expiration of time restrictions	<u>7,000</u>	<u>2,000</u>
Total	<u>\$ 532,954</u>	<u>\$ 708,359</u>

### 14. Endowment:

WhyHunger's endowment consists of donor-restricted and board designated funds (see Note 11). 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, 2020 and 2019, 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's 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 does not fall below \$600,000 through any distribution.

Endowment net asset composition as of December 31, 2020 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$170,584	\$170,584
Board-designated endowment funds	<u>781,191</u>	<u>-</u>	<u>781,191</u>
Total funds	<u>\$781,191</u>	<u>\$170,584</u>	<u>\$951,775</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

**14. Endowment (continued):**

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

Changes in endowment net assets as of December 31, 2020 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	\$ 656,958	\$ 146,596	\$ 803,554
Net investment income	6,027	1,486	7,513
Net appreciation	<u>118,206</u>	<u>22,502</u>	<u>140,708</u>
Endowment net assets, end of year	<u>\$ 781,191</u>	<u>\$ 170,584</u>	<u>\$ 951,775</u>

Endowment net asset composition as of December 31, 2019 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	\$ -	\$146,596	\$146,596
Board-designated endowment funds	<u>656,958</u>	<u>-</u>	<u>656,958</u>
Total funds	<u>\$656,958</u>	<u>\$146,596</u>	<u>\$803,554</u>

Changes in endowment net assets as of December 31, 2019 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	\$ 534,219	\$ 119,032	\$ 653,251
Net investment income	5,143	984	6,127
Net appreciation	<u>117,596</u>	<u>26,580</u>	<u>144,176</u>
Endowment net assets, end of year	<u>\$ 656,958</u>	<u>\$ 146,596</u>	<u>\$ 803,554</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, 2020 and 2019, WhyHunger made a discretionary contribution to the plan totaling \$35,765 and \$-0-, respectively.

### 16. Related parties:

During the year ended December 31, 2020, WhyHunger incurred consulting expenses of \$49,455 from a consulting firm that is owned by a current Board member.

During the year ended December 31, 2019, WhyHunger contracted with a printing company owned by one Board member and incurred expense of \$2,638. WhyHunger incurred legal expenses of \$10,944 to a law firm owned by a former Board member and also paid program consulting fees of \$3,000 to another Board member.

The Organization also receives contributions from members of the Board, management and related family in the normal course of its operations.

### 17. Paycheck Protection Program (PPP):

WhyHunger was granted a \$331,500 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. WhyHunger initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with the guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. WhyHunger has recognized \$331,500 as grant revenue for the year ended December 31, 2020 as the full PPP loan has been forgiven prior to December 31, 2020 and WhyHunger is not required to repay any of the PPP advance.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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### 18. Subsequent events:

In March 2021, the Organization received two significant grants totaling approximately \$3,400,000 to assist in furthering the Organization's mission. In April 2021, the Organization received and recognized a contribution of \$1,000,000, which had previously been promised and disclosed as a conditional promise to give at December 31, 2020.

### 19. Upcoming accounting pronouncements:

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. On May 20, 2020, FASB voted to defer the effective date of this standard for an additional one year due to the coronavirus pandemic. As a result, the requirements of ASU 2016-02 are effective for WhyHunger's fiscal year ending December 31, 2022. WhyHunger is currently evaluating the impact of this pronouncement.

In September 2020, FASB released ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 addresses concerns regarding lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit organization's programs and activities by requiring more prominent presentation of contributed nonfinancial assets and enhanced disclosures about the valuation of those contributions and their use in programs and other activities. The requirements of ASU 2020-07 are effective for WhyHunger's fiscal year ending December 31, 2022. WhyHunger is currently evaluating the impact of this pronouncement.