

**WhyHunger, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
WhyHunger, Inc.

### **Opinion**

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, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WhyHunger, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WhyHunger Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WhyHunger Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WhyHunger Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
May 19, 2022

# WhyHunger, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

### ASSETS

	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,067,072	\$ 1,761,879
Investments at fair value	1,034,535	935,585
Contributions and accounts receivable, current, net of allowance for doubtful accounts of \$-0- in 2021 and \$31,850 in 2020	420,200	486,348
Prepaid and other assets	<u>83,964</u>	<u>106,582</u>
Total current assets	<u>5,605,771</u>	<u>3,290,394</u>
<b>Long-term assets:</b>		
Fixed assets, net	<u>1,554</u>	<u>4,084</u>
Total long-term assets	<u>1,554</u>	<u>4,084</u>
Total assets	<u>\$ 5,607,325</u>	<u>\$ 3,294,478</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 539,206	\$ 512,926
Grants payable	<u>1,454,560</u>	<u>297,110</u>
Total current liabilities	<u>1,993,766</u>	<u>810,036</u>
<b>Net assets:</b>		
<b>Without donor restriction:</b>		
Undesignated	1,474,828	814,476
Designated by the Board for operating reserve fund	385,000	160,000
Designated by the Board for rapid response fund	150,000	-
Designated by the Board for endowment	<u>861,885</u>	<u>781,191</u>
Total without donor restriction	<u>2,871,713</u>	<u>1,755,667</u>
<b>With donor restriction:</b>		
Purpose restricted	641,846	628,775
Perpetual in nature	<u>100,000</u>	<u>100,000</u>
Total with donor restriction	<u>741,846</u>	<u>728,775</u>
Total net assets	<u>3,613,559</u>	<u>2,484,442</u>
Total liabilities and net assets	<u>\$ 5,607,325</u>	<u>\$ 3,294,478</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support:</b>			
Individual contributions	\$ 605,945	\$ 68,876	\$ 674,821
Foundation grants and corporate donations	5,300,274	397,849	5,698,123
Artists Against Hunger and Poverty/Hungerthon	1,190,546	-	1,190,546
Special events, gross	454,256	-	454,256
Realized and unrealized gains on investments	76,428	25,603	102,031
Interest and other income, net investment fees	4,494	814	5,308
Miscellaneous	5,868	-	5,868
Net assets released from restrictions	480,071	(480,071)	-
Total revenue and support	<u>8,117,882</u>	<u>13,071</u>	<u>8,130,953</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	1,107,951	-	1,107,951
Artists Against Hunger and Poverty/Hungerthon	572,473	-	572,473
Nourish	2,180,185	-	2,180,185
Global Movements	1,854,551	-	1,854,551
General Media for Program Services	565,082	-	565,082
Total program services	<u>6,280,242</u>	<u>-</u>	<u>6,280,242</u>
<b>Support services:</b>			
Fundraising	393,075	-	393,075
Costs of direct benefit to donors	90,640	-	90,640
Management and general	237,879	-	237,879
Total support services	<u>721,594</u>	<u>-</u>	<u>721,594</u>
Total expenses	<u>7,001,836</u>	<u>-</u>	<u>7,001,836</u>
Change in net assets	1,116,046	13,071	1,129,117
Net assets, beginning of year	<u>1,755,667</u>	<u>728,775</u>	<u>2,484,442</u>
Net assets, end of year	<u>\$ 2,871,713</u>	<u>\$ 741,846</u>	<u>\$ 3,613,559</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	<u>206,790</u>	<u>-</u>	<u>206,790</u>
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 FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services						Supporting Services				
	Grassroots Action Network	Artists Against Hunger and Poverty/ Hungerthon	Nourish	Global Movements	General Media for Program Services	Total Program Services	Fundraising	Costs of Direct Benefit to Donors	Management and General	Total Supporting Services	Total
<b>Salaries and related expenses:</b>											
Salaries	\$ 182,701	\$ 281,815	\$ 355,213	\$ 336,815	\$ 238,157	\$ 1,394,701	\$ 196,770	\$ -	\$ 158,535	\$ 355,305	\$ 1,750,006
Payroll taxes and employee benefits	44,948	64,029	87,127	82,337	68,647	347,088	44,119	-	30,443	74,562	421,650
Total salaries and related expenses	<u>227,649</u>	<u>345,844</u>	<u>442,340</u>	<u>419,152</u>	<u>306,804</u>	<u>1,741,789</u>	<u>240,889</u>	<u>-</u>	<u>188,978</u>	<u>429,867</u>	<u>2,171,656</u>
<b>Other expenses:</b>											
Professional and contract	155,976	76,857	261,571	43,525	189,921	727,850	72,710	-	7,076	79,786	807,636
Postage and shipping	1,034	12,490	1,252	1,605	1,091	17,472	815	-	282	1,097	18,569
Supplies and other office expenses	3,859	6,373	10,016	6,323	14,517	41,088	29,091	-	1,516	30,607	71,695
Telephone and internet	2,231	4,017	5,451	4,911	4,920	21,530	4,475	-	982	5,457	26,987
Occupancy	14,203	24,942	35,335	31,524	30,831	136,835	21,478	-	7,967	29,445	166,280
Staff travel	860	1,890	557	5,583	517	9,407	811	-	126	937	10,344
Printing and publications	2	5	7	6	6	26	17	-	1	18	44
Equipment rentals	455	799	1,132	1,010	989	4,385	688	-	255	943	5,328
Dues, fees and subscriptions	256	469	1,181	569	4,758	7,233	3,587	-	144	3,731	10,964
Conference and meetings	34	59	4,866	18,236	72	23,267	51	-	19	70	23,337
Grants, awards and donations	680,600	264	1,259,684	1,308,174	639	3,249,361	-	-	-	-	3,249,361
Bank charges and interest	2,000	12,847	1,468	1,572	1,281	19,168	6,024	-	339	6,363	25,531
Taxes, fines and penalties	383	673	954	851	832	3,693	580	-	215	795	4,488
Insurance	2,079	3,427	4,965	4,471	4,228	19,170	2,905	-	1,167	4,072	23,242
Advertising	-	1,606	145,378	-	67	147,051	-	-	-	-	147,051
Repairs and maintenance	603	1,058	1,499	1,338	1,308	5,806	911	-	338	1,249	7,055
Program supplies	14,737	55,340	-	2,829	-	72,906	5,000	-	-	5,000	77,906
Event venue expenses	-	-	-	-	-	-	-	90,640	-	90,640	90,640
Meals and entertainment	221	1,005	549	769	479	3,023	753	-	124	877	3,900
Miscellaneous	393	21,849	1,046	1,272	1,007	25,567	1,722	-	28,139	29,861	55,428
Total expenses before depreciation and amortization	<u>1,107,575</u>	<u>571,814</u>	<u>2,179,251</u>	<u>1,853,720</u>	<u>564,267</u>	<u>6,276,627</u>	<u>392,507</u>	<u>90,640</u>	<u>237,668</u>	<u>720,815</u>	<u>6,997,442</u>
Depreciation and amortization	376	659	934	831	815	3,615	568	-	211	779	4,394
Total expenses	<u>\$ 1,107,951</u>	<u>\$ 572,473</u>	<u>\$ 2,180,185</u>	<u>\$ 1,854,551</u>	<u>\$ 565,082</u>	<u>\$ 6,280,242</u>	<u>\$ 393,075</u>	<u>\$ 90,640</u>	<u>\$ 237,879</u>	<u>\$ 721,594</u>	<u>\$ 7,001,836</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

	Program Services						Supporting Services				
	Grassroots Action Network	Artists Against Hunger and Poverty/ Hungerthon	Nourish	Global Movements	General Media for Program Services	Total Program Services	Fundraising	Costs of Direct Benefit to Donors	Management and General	Total Supporting Services	Total
<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	<u>204,403</u>	<u>382,326</u>	<u>315,703</u>	<u>425,807</u>	<u>201,645</u>	<u>1,529,884</u>	<u>200,409</u>	<u>-</u>	<u>180,235</u>	<u>380,644</u>	<u>1,910,528</u>
<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.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,129,117	\$ 906,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,394	5,648
Realized gain on sale of investments	(77,482)	(14,457)
Unrealized gain on investments	(24,549)	(124,816)
Donated stocks	(129,434)	(129,985)
Bad debt expense	-	(176,600)
Decrease (increase) in assets:		
Contributions and accounts receivable	66,148	556,909
Prepaid and other assets	22,618	34,383
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	26,280	384,284
Grants payable	<u>1,157,450</u>	<u>262,110</u>
Net cash provided by operating activities	<u>2,174,542</u>	<u>1,704,185</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	405,513	427,091
Purchases of investments	(272,998)	(309,037)
Purchases of fixed assets	<u>(1,864)</u>	<u>(587)</u>
Net cash provided by investing activities	<u>130,651</u>	<u>117,467</u>
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	-	545,000
Principal payments of line of credit	<u>-</u>	<u>(695,000)</u>
Net cash used by financing activities	<u>-</u>	<u>(150,000)</u>
Net change in cash and cash equivalents	2,305,193	1,671,652
Cash and cash equivalents, beginning of year	<u>1,761,879</u>	<u>90,227</u>
Cash and cash equivalents, end of year	<u>\$ 4,067,072</u>	<u>\$ 1,761,879</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 376</u>	<u>\$ 5,661</u>

The accompanying notes are an integral part of these financial statements

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of the Organization:

WhyHunger, Inc. (WhyHunger or the Organization) 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, and in 2021 established a board designated rapid response fund. 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>2021</u>	<u>2020</u>
Balance, net, January 1	\$ -	\$ 2,324
Amortization	<u>-</u>	<u>(2,324)</u>
Balance, net, December 31	<u>\$ -</u>	<u>\$ -</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, 2021 and 2020.

**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. There was no allowance for doubtful accounts at December 31, 2021. An allowance for doubtful accounts was established at December 31, 2020 in the amount of \$31,850.

**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, 2021 and 2020, 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, 2021 and 2020, WhyHunger received donated web-based advertising valued at \$142,478 and \$143,520, 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, 2021.

**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, 2021 or 2020.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

**Functional allocation of expenses:** The Statements of Functional Expenses report 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.

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.

**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. WhyHunger has not experienced any such losses through December 31, 2021.



# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

**Newly adopted accounting standards:** WhyHunger has adopted all current standards of the Financial Accounting Standards Board that are applicable.

**Subsequent events:** Subsequent events have been evaluated through May 19, 2022, which is the date the financial statements were available to be issued.

### 3. Investments at fair value:

Investments at December 31, 2021 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 466,414	\$ 749,474
Mutual funds	<u>281,573</u>	<u>285,061</u>
Total	<u>\$ 747,987</u>	<u>\$1,034,535</u>

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>

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2021 and 2020. 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, 2021 and 2020 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

## WhyHunger, Inc.

### NOTES TO FINANCIAL STATEMENTS

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

	<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>2021</u></b>				
Common stocks	\$ 749,474	\$ 749,474	\$ -	\$ -
Mutual funds	<u>285,061</u>	<u>285,061</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,034,535</u>	<u>\$1,034,535</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>2020</u></b>				
Common stocks	\$ 687,889	\$ 687,889	\$ -	\$ -
Mutual funds	<u>247,696</u>	<u>247,696</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 935,585</u>	<u>\$ 935,585</u>	<u>\$ -</u>	<u>\$ -</u>

4. **Liquidity and availability:**

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Total financial assets at year-end:		
Cash and cash equivalents	\$4,067,072	\$ 1,761,879
Investments at fair value	1,034,535	935,585
Contributions and accounts receivable, net	<u>420,200</u>	<u>486,348</u>
Total financial assets at year-end	<u>\$5,521,807</u>	<u>\$3,183,812</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 4. Liquidity and availability:

	<u>2021</u>	<u>2020</u>
Less amounts not available to be used within one year:		
Donor-restricted endowment	\$ (100,000)	\$ (100,000)
Internal Board designated operating reserve fund	(385,000)	(160,000)
Internal Board designated rapid response fund	(150,000)	-
Internal Board designated endowment	<u>(861,885)</u>	<u>(781,191)</u>
Total amounts not available to be used within one year	<u>\$(1,496,885)</u>	<u>\$ (1,041,191)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,024,922</u>	<u>\$ 2,142,621</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, 2021, no amounts have been distributed by the Board.

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.

In May 2022, the Organization's Board of Directors established a Board designated rapid response fund, effective December 31, 2021, for the benefit of WhyHunger. The purpose of the reserve is to provide vital assistance to WhyHunger's grassroots partners during times of crisis when facing unexpected hardships.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

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 and a loan facility available to meet short-term needs. See Note 9 for information about these arrangements.

### 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 years ending December 31, 2021 and 2020, WhyHunger recognized contributions of \$1,000,000 and \$750,000, respectively, related to this promise. To date, total contributions of \$1,750,000 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. Unconditional promises to give recorded at December 31, 2021 and 2020, along with the expected maturity date of the gifts, are as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give, gross	<u>\$420,200</u>	<u>\$518,198</u>
Amounts due in:		
Less than one year	\$420,200	\$518,198
One to five years	-	-
Total	<u>\$420,200</u>	<u>\$518,198</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 5. Contributions and accounts receivable, net (continued):

For the year ended December 31, 2020, WhyHunger recorded an allowance for doubtful accounts of \$31,850. No such allowance existed as of December 31, 2021.

During the year ended December 31, 2021, support from three separate donors comprised approximately 54% of WhyHunger's total annual revenue and support. At December 31, 2021, unconditional promises to give from two donors totaled 23% of the receivable balance.

During the year ended December 31, 2020, support from two separate donors comprised approximately 33% 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, 2021 and 2020, the total balance of prepaid and other assets was \$83,964 and \$106,582, respectively. Of this amount, \$67,805 and \$88,925 at December 31, 2021 and 2020, respectively, pertains to autographed musical instruments and other memorabilia.

### 7. Fixed assets, net:

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

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 82,979	\$ 82,979
Computer and office equipment	74,018	72,154
Leasehold improvements	<u>20,609</u>	<u>20,609</u>
	177,606	175,742
Less accumulated depreciation	<u>176,052</u>	<u>171,658</u>
Fixed assets, net	<u>\$ 1,554</u>	<u>\$ 4,084</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$4,394 and \$3,324, respectively, is included within depreciation and amortization on the Statements of Functional Expenses.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 8. Intangible assets, net:

WhyHunger has intangible assets consisting of software and other technology. As of December 31, 2021 and 2020, all intangible assets were fully amortized.

### 9. Line of credit:

WhyHunger has a line of credit with a financial institution in the amount of \$750,000 which matured on February 25, 2022. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime (3.50% at December 31, 2021) plus one percentage point rounded to the next highest 0.125 and is never to be less than 5.25%. At December 31, 2021 and 2020, there were no outstanding borrowings under this line.

WhyHunger has a loan facility liquidity access line in the amount of \$575,000 with a financial institution that is collateralized by the Harry Chapin endowment fund (See Note 11). There is a \$25,000 minimum to draw. The loan has a variable interest rate, which as of December 31, 2021, was 2.83%. At December 31, 2021 and 2020, there were no outstanding borrowings under this line.

### 10. Commitments and contingencies:

**Operating leases:** In December 2021, WhyHunger executed an agreement to surrender its existing office space and relocate to a new location in the same building. The lease commenced upon WhyHunger taking possession of the new premises, which occurred in May 2022. The rental agreement has a maturity date of April 30, 2032. WhyHunger also leases various copier and computer machines with terms through March 2024. Minimum future annual rentals are approximately as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 83,000
2023	118,000
2024	112,000
2025	112,000
2026	114,000
Thereafter	<u>660,000</u>
Total	<u>\$1,199,000</u>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

For the year ended December 31, 2021, rent expense for the WhyHunger office lease was \$166,280, copier rent expense was \$1,980 and computer lease expense was \$13,790, which is reflected within occupancy expense, equipment rentals expense and supplies and other office expenses, respectively, on the 2021 Statement of Functional Expenses.

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 rent 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.

**Hungerthon contingency:** As part of WhyHunger's 2020 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, 2021 as a result of the coronavirus pandemic, stay at home orders and limits on large gatherings. As WhyHunger is uncertain as to whether these 2020 auctioned 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, 2021 and 2020 in the amount of \$64,664 and \$69,745, respectively, 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

### 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.

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. An additional \$225,000 was added to the operating reserve fund for the year ended December 31, 2021.

In May 2022, the Organization's Board of Directors established a Board designated rapid response fund, effective December 31, 2021, for the benefit of WhyHunger. The purpose of the reserve is to provide vital assistance to WhyHunger's grassroots partners during times of crisis when facing unexpected hardships. Qualifying crises may include: (1) natural disasters such as floods, fires, earthquakes, climate catastrophes; (2) violence or threats of violence impacting food security; (3) health disasters such as the global COVID-19 Pandemic or regional public health crises; (4) unforeseen economic hardship or disruption; and 5) violence in the way of persecution, targeting of social movement leaders, and civil war. For the year ended December 31, 2021, a total of \$150,000 was approved for the rapid response fund.

Since these board designated funds resulted from internal designations and are not donor-restricted, they are 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>2021</u>	<u>2020</u>
Subject to program expenditure for a specified purpose:		
La Finca farmer cooperative	\$ 1,171	\$ 3,946
Endowment funds subject to appropriation and expenditure	97,001	70,584
Program expenses, including re-granting of funds	<u>543,674</u>	<u>554,245</u>
Total purpose restriction	641,846	628,775
Subject to be held in perpetuity	<u>100,000</u>	<u>100,000</u>
Total	<u>\$741,846</u>	<u>\$728,775</u>



# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 13. Net assets released from restrictions:

During the years ended December 31, 2021 and 2020, net assets with donor restrictions were released for the following purposes:

	<u>2021</u>	<u>2020</u>
Satisfaction of program restrictions:		
U.S. Food Sovereignty Alliance	\$ -	\$ 59,730
La Finca farmer cooperative	2,775	7,405
Program expenses, including re-granting of funds	<u>477,296</u>	<u>458,819</u>
Total satisfaction of program restrictions	480,071	525,954
Expiration of time restrictions	<u>-</u>	<u>7,000</u>
Total	<u>\$ 480,071</u>	<u>\$ 532,954</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, 2021 and 2020, 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

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### 14. Endowment (continued):

#### Interpretation of the relevant law:

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.

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

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 14. Endowment (continued):

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

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, 2021 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$197,001	\$ 197,001
Board-designated endowment funds	<u>861,885</u>	<u>-</u>	<u>861,885</u>
Total funds	<u>\$861,885</u>	<u>\$197,001</u>	<u>\$1,058,886</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, 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 781,191	\$ 170,584	\$ 951,775
Net investment income	3,282	815	4,097
Net appreciation	<u>77,412</u>	<u>25,602</u>	<u>103,014</u>
Endowment net assets, end of year	<u>\$ 861,885</u>	<u>\$ 197,001</u>	<u>\$1,058,886</u>

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>

Changes in endowment net assets as of December 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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>

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2021 and 2020, WhyHunger made a discretionary contribution to the plan totaling \$48,401 and \$35,765, respectively.

### 16. Related parties:

During the year ended December 31, 2021, the Organization did not incur expenses from any related parties. During the year ended December 31, 2020, WhyHunger incurred expenses of \$49,455 from a consulting firm that is owned by a current 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 recognized \$331,500 as grant revenue during the year ended December 31, 2020 as the full PPP loan was forgiven and WhyHunger was not required to repay any of the PPP advance.

# WhyHunger, Inc.

## NOTES TO FINANCIAL STATEMENTS

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### 18. 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.