

**WHYHUNGER, INC.**

**FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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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, 2022 and 2021 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, 2022 and 2021 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  
June 21, 2023

## **FINANCIAL STATEMENTS**

# WHYHUNGER, INC.

## STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,346,207	\$ 4,067,072
Investments at fair value	849,073	1,034,535
Contributions and accounts receivable, current	421,492	420,200
Prepaid and other assets	89,194	83,964
Total current assets	5,705,966	5,605,771
<b>Long-term assets:</b>		
Fixed assets, net	57,319	1,554
Operating lease right-of-use assets	852,541	-
Total long-term assets	909,860	1,554
Total assets	\$ 6,615,826	\$ 5,607,325
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and other liabilities	\$ 372,571	\$ 539,206
Grants payable	1,133,340	1,454,560
Right-of-use operating lease liability, current portion	62,518	-
Total current liabilities	1,568,429	1,993,766
<b>Long-term liabilities:</b>		
Right-of-use operating lease liability, long-term portion	798,408	-
Total long-term liabilities	798,408	-
Total liabilities	2,366,837	1,993,766
<b>Net assets:</b>		
<b>Without donor restriction:</b>		
Undesignated	2,375,497	1,474,828
Designated by the Board for operating reserve fund	385,050	385,000
Designated by the Board for rapid response fund	125,976	150,000
Designated by the Board for endowment	708,165	861,885
Total without donor restriction	3,594,688	2,871,713
<b>With donor restriction:</b>		
Purpose restricted	554,301	641,846
Perpetual in nature	100,000	100,000
Total with donor restriction	654,301	741,846
Total net assets	4,248,989	3,613,559
Total liabilities and net assets	\$ 6,615,826	\$ 5,607,325

The accompanying notes are an integral  
part of these financial statements.

# WHYHUNGER, INC.

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2022

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenue and support:</b>			
Individual contributions	\$ 563,160	\$ 68,531	\$ 631,691
Foundation grants and corporate donations	3,595,051	300,902	3,895,953
Artists Against Hunger and Poverty/Hungerthon	2,162,967	-	2,162,967
Contributed nonfinancial assets	138,845	-	138,845
Special events, gross	431,292	-	431,292
Realized and unrealized net losses on investments	(160,148)	(37,106)	(197,254)
Interest and other income, net investment fees	6,268	1,187	7,455
Miscellaneous	181	-	181
Net assets released from restrictions	421,059	(421,059)	-
Total revenue and support	7,158,675	(87,545)	7,071,130
<b>Expenses:</b>			
<b>Program services:</b>			
Grassroots Action Network	2,055,242	-	2,055,242
Artists Against Hunger and Poverty/Hungerthon	594,232	-	594,232
Nourish	1,112,489	-	1,112,489
Global Movements	1,454,164	-	1,454,164
General Media for Program Services	542,084	-	542,084
Total program services	5,758,211	-	5,758,211
<b>Support services:</b>			
Fundraising	355,757	-	355,757
Costs of direct benefit to donors	96,173	-	96,173
Management and general	225,559	-	225,559
Total support services	677,489	-	677,489
Total expenses	6,435,700	-	6,435,700
Change in net assets	722,975	(87,545)	635,430
Net assets, beginning of year	2,871,713	741,846	3,613,559
Net assets, end of year	\$ 3,594,688	\$ 654,301	\$ 4,248,989

The accompanying notes are an  
integral part of these financial statements.

# WHYHUNGER, INC.

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2021

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenue and support:</b>			
Individual contributions	\$ 605,945	\$ 68,876	\$ 674,821
Foundation grants and corporate donations	5,157,796	397,849	5,555,645
Artists Against Hunger and Poverty/Hungerthon	1,190,546	-	1,190,546
Contributed nonfinancial assets	142,478	-	142,478
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	8,117,882	13,071	8,130,953
<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	6,280,242	-	6,280,242
<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	721,594	-	721,594
Total expenses	7,001,836	-	7,001,836
Change in net assets	1,116,046	13,071	1,129,117
Net assets, beginning of year	1,755,667	728,775	2,484,442
Net assets, end of year	\$ 2,871,713	\$ 741,846	\$ 3,613,559

The accompanying notes are an  
integral part of these financial statements.

**WHYHUNGER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2022

	Program Services						Supporting Services				Total
	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	
<b>Salaries and related expenses:</b>											
Salaries	\$ 206,907	\$ 298,212	\$ 408,643	\$ 273,299	\$ 243,000	\$ 1,430,061	\$ 209,774	\$ -	\$ 172,865	\$ 382,639	\$ 1,812,700
Payroll taxes and employee benefits	51,873	77,132	102,937	77,528	83,732	393,202	49,156	-	33,943	83,099	476,301
Total salaries and related expenses	258,780	375,344	511,580	350,827	326,732	1,823,263	258,930	-	206,808	465,738	2,289,001
<b>Other expenses:</b>											
Professional and contract	213,817	85,831	88,915	41,552	139,063	569,178	34,302	-	7,261	41,563	610,741
Postage and shipping	674	13,390	926	773	805	16,568	902	-	204	1,106	17,674
Supplies and other office expenses	1,864	5,183	8,987	4,179	15,018	35,231	6,698	-	903	7,601	42,832
Telephone and internet	965	2,716	3,553	3,538	3,659	14,431	3,109	-	531	3,640	18,071
Occupancy	10,621	24,162	26,552	21,773	23,100	106,208	15,400	-	5,841	21,241	127,449
Staff travel	4,401	4,767	12,636	11,454	6,763	40,021	10,017	-	387	10,404	50,425
Printing and publications	256	-	488	264	249	1,257	-	-	-	-	1,257
Equipment rentals	255	581	638	523	555	2,552	370	-	140	510	3,062
Dues, fees, and subscriptions	147	268	8,982	6,262	5,341	21,000	87	-	17	104	21,104
Conference and meetings	4,786	4,268	20,110	5,981	4,335	39,480	211	-	4	215	39,695
Grants, awards, and donations	1,501,482	379	274,281	992,380	363	2,768,885	-	-	-	-	2,768,885
Bank charges and interest	1,835	9,957	1,903	1,655	1,615	16,965	5,748	-	394	6,142	23,107
Taxes, fines, and penalties	685	1,558	1,712	1,404	1,490	6,849	993	-	377	1,370	8,219
Insurance	2,551	4,937	5,692	4,620	4,918	22,718	3,191	-	1,310	4,501	27,219
Advertising	-	476	138,845	-	-	139,321	-	-	-	-	139,321
Repairs and maintenance	1,121	2,550	2,802	2,297	2,438	11,208	1,625	-	616	2,241	13,449
Program supplies	49,782	42,833	-	413	-	93,028	-	-	-	-	93,028
Meals, entertainment, and event venue expenses	437	1,937	815	1,668	3,023	7,880	10,626	96,173	111	106,910	114,790
Miscellaneous	106	11,555	1,380	1,212	1,145	15,398	2,566	-	283	2,849	18,247
Total expenses before depreciation and amortization	2,054,565	592,692	1,110,797	1,452,775	540,612	5,751,441	354,775	96,173	225,187	676,135	6,427,576
Depreciation and amortization	677	1,540	1,692	1,389	1,472	6,770	982	-	372	1,354	8,124
Total expenses	\$ 2,055,242	\$ 594,232	\$ 1,112,489	\$ 1,454,164	\$ 542,084	\$ 5,758,211	\$ 355,757	\$ 96,173	\$ 225,559	\$ 677,489	\$ 6,435,700

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				Total
	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	
<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	227,649	345,844	442,340	419,152	306,804	1,741,789	240,889	-	188,978	429,867	2,171,656
<b>Other expenses:</b>											
Professional and contract	155,976	76,857	261,571	43,525	189,921	727,850	57,358	-	7,076	64,434	792,284
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
Meals, entertainment, and event venue expenses	221	1,005	549	769	479	3,023	16,105	90,640	124	106,869	109,892
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	1,107,575	571,814	2,179,251	1,853,720	564,267	6,276,627	392,507	90,640	237,668	720,815	6,997,442
Depreciation and amortization	376	659	934	831	815	3,615	568	-	211	779	4,394
Total expenses	\$ 1,107,951	\$ 572,473	\$ 2,180,185	\$ 1,854,551	\$ 565,082	\$ 6,280,242	\$ 393,075	\$ 90,640	\$ 237,879	\$ 721,594	\$ 7,001,836

The accompanying notes are an integral part of these financial statements.

# WHYHUNGER, INC.

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 635,430	\$ 1,129,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,124	4,394
Realized gain on sale of investments	(10,872)	(77,482)
Unrealized loss (gain) on investments	208,126	(24,549)
Donated stocks	(75,078)	(129,434)
Non-cash lease expense, net of accretion	8,385	-
Decrease (increase) in assets:		
Contributions and accounts receivable	(1,292)	66,148
Prepaid and other assets	(5,230)	22,618
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(166,635)	26,280
Grants payable	(321,220)	1,157,450
Net cash provided by operating activities	279,738	2,174,542
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	349,951	405,513
Purchases of investments	(286,665)	(272,998)
Purchases of fixed assets	(63,889)	(1,864)
Net cash (used in) provided by investing activities	(603)	130,651
Net change in cash and cash equivalents	279,135	2,305,193
Cash and cash equivalents, beginning of year	4,067,072	1,761,879
Cash and cash equivalents, end of year	\$ 4,346,207	\$ 4,067,072
<b>Supplemental disclosure of cash flow information:</b>		
<b>Cash paid for interest</b>	\$ 23	\$ 376
<b>Cash paid for amounts included in measurement of lease liability:</b>		
Operating cash flows from operating leases	\$ 69,665	\$ -
<b>Lease assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 903,629	\$ -

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 accounting principles generally accepted in the United States of America (“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

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### 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 those 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:

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.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies (continued)

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

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.

**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.

**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, 2022 and 2021.

**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.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies (continued)

#### **Contributions and promises to give (continued):**

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, 2022 or 2021, respectively.

**Contributions of stock:** The Organization historically receives in-kind stock contributions from donors, and it is the Organization's practice to immediately liquidate the contributed stock. Proceeds from the sale of in-kind stock, and any related gain or loss, from donors who have designated a specific purpose are reflected as with donor restriction, whereas proceeds and related realized gain or loss from in-kind stock contributions without any such restrictions are reflected as without donor restriction. Proceeds from the sale of these assets are utilized to carry out the mission of the Organization. During the years ended December 31, 2022 and 2021, WhyHunger did not receive any in-kind donations where the fair market value was not measurable.

**Contributions of nonfinancial assets:** The Organization recognized the following contributions of nonfinancial assets for the years ending December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Contributed advertising	\$ 138,845	\$ 142,478
Total contributed nonfinancial assets	<u>\$ 138,845</u>	<u>\$ 142,478</u>

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies (continued)

#### **Contributions of nonfinancial assets (continued):**

*Contributed advertising:* The Organization recognizes contributed nonfinancial assets revenue and a corresponding expense in an amount approximating estimated fair value of the donated advertising at the time of donation. During the years ended December 31, 2022 and 2021, the Organization received donated web-based advertising valued at \$138,845 and \$142,478, respectively.

*Contributed services:* Contributed services are recognized in the financial statements if the following criteria are met:

- The service requires specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not contributed, or
- The service creates or enhances a nonfinancial asset.

There were no contributed services recognized during the years ended December 31, 2022 or 2021.

The Organization also receives donated memorabilia that are held for auction purposes, and volunteers also 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 or fair value was not readily determinable.

**Advertising:** Advertising is charged to expense as incurred. During the years ended December 31, 2022 and 2021, WhyHunger received donated web-based advertising valued at \$138,845 and \$142,478, 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, 2022.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies (continued)

**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, 2022 or 2021.

**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 U.S. GAAP, 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. The Organization's results are affected by economic, political, legislative, regulatory and legal actions. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies, and changes in the prices of materials, can have a significant impact on operations. These factors and other events may cause actual results to differ from management's estimates.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies (continued)

**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. While management routinely exceeds FDIC limits on its deposits, WhyHunger has not experienced any such losses through December 31, 2022.

The Organization's bank balances, excluding cash amounts held with the Organization's investment accounts, totaled \$4,657,205 and \$4,503,881 at December 31, 2022 and 2021, respectively.

**Reclassification:** 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.

**Adoption of new standard - contributed nonfinancial assets:** In September 2020, the Financial Accounting Standards Board (“FASB”) released Accounting Standards Update (“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 the Organization's fiscal year ending December 31, 2022 with retrospective application. The timing of revenue recognition was not affected by this standard.

**Adoption of new standard - leases:** In February 2016, FASB established Accounting Standards Codification Topic 842, *Leases*, (“ASC 842”) by issuing Accounting Standards Update No. 2016-02 (“ASU 2016-02”), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition.

The new standard became effective on January 1, 2022. The Organization adopted the new standard on its effective date following a modified retrospective transition approach by applying the new standard to leases existing at the date of initial application. The Organization elected the package of practical expedients upon adoption, which did not require reassessment of prior lease identification, classification, or initial direct costs.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies (continued)

#### **Adoption of new standard - leases (continued):**

Consequently, financial information in these comparative financial statements is not updated and the disclosures required under the new standard are not provided for dates and periods before January 1, 2022.

The Organization adopted the new standard effective January 1, 2022. However, there was no impact on January 1, 2022 balances as at that date the Organization did not have any material operating or finance leases in effect that would require recognition under ASC 842. Adoption of the new standard did not impact the Organization's change in net assets and had no impact on cash flows or amounts reported at January 1, 2022 in the Statement of Financial Position. The Organization's new building lease was effective May 2022 and is reported as of that date per the requirements of ASC 842.

This new standard has material effects on the Organization's December 31, 2022 financial statements, the most significant of which relate to recognition of the new right-of-use assets and lease liabilities for operating leases and the inclusion of significant new disclosures about the Organization's leasing activities.

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

See Note 17 for further disclosure regarding leases.

**Subsequent events:** Subsequent events have been evaluated through June 21, 2023, which is the date the financial statements were available to be issued.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 3. Investments at Fair Value

Investments at December 31, 2022 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 474,929	\$ 604,668
Mutual funds	<u>295,722</u>	<u>244,405</u>
Total	<u>\$ 770,651</u>	<u>\$ 849,073</u>

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>

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2022 and 2021. The investments are managed by professional investment advisors and managers.

Market risk includes global events which could impact the value of investment securities such as a pandemic, international conflict, or bank failure.

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, 2022 and 2021 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>
		<u>2022</u>		
Common Stocks	\$ 604,668	\$ 604,668	\$ -	\$ -
Mutual funds	<u>244,405</u>	<u>244,405</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 849,073</u>	<u>\$ 849,073</u>	<u>\$ -</u>	<u>\$ -</u>

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 3. Investments at Fair Value (continued)

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		<u>2021</u>		
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>

### 4. Liquidity and Availability:

As of December 31, 2022 and 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Total financial assets at year-end:		
Cash and cash equivalents	\$ 4,346,207	\$ 4,067,072
Investments at fair value	849,073	1,034,535
Contributions and accounts receivable, net	<u>421,492</u>	<u>420,200</u>
Total financial assets at year-end	<u>\$ 5,616,772</u>	<u>\$ 5,521,807</u>
Less: amounts not available to be used within one year:		
Donor-restricted endowment	\$ (100,000)	\$ (100,000)
Internal Board-designated operating reserve fund	(385,050)	(385,000)
Internal Board-designated rapid response fund	(125,976)	(150,000)
Internal Board-designated endowment	<u>(708,165)</u>	<u>(861,885)</u>
Total amounts not available to be used within one year	\$ (1,319,191)	\$ (1,496,885)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,297,581</u>	<u>\$ 4,024,922</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.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 4. Liquidity and Availability (continued)

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, 2022 and 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 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, 2022 and 2021, WhyHunger recognized contributions of \$1,250,000 and \$1,000,000, respectively, related to this promise. To date, total contributions of \$3,000,000 have been recognized related to this promise as the underlying programmatic and administrative barriers were overcome and a right of release no longer exists.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 5. Contributions and Accounts Receivable, net (continued)

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, 2022 and 2021, along with the expected maturity date of the gifts, are as follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give, gross	<u>\$421,492</u>	<u>\$420,200</u>
Amounts due in:		
Less: than one year	\$421,492	\$420,200
One to five years	<u>-</u>	<u>-</u>
Total	<u>\$421,492</u>	<u>\$420,200</u>

For the years ended December 31, 2022 and 2021, no allowance for doubtful accounts was recorded.

During the year ended December 31, 2022, support from three separate donors comprised approximately 56% of WhyHunger's total annual revenue and support. At December 31, 2022, unconditional promises to give from one donor totaled 12% of the receivable balance.

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.

### 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, 2022 and 2021, the total balance of prepaid and other assets was \$89,194 and \$83,964, respectively. Of this amount, \$57,520 and \$67,805 at December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 47,189	\$ 82,979
Computer and office equipment	18,564	74,018
Leasehold improvements	<u>-</u>	<u>20,609</u>
Total	65,753	177,606
Less: accumulated depreciation	<u>8,434</u>	<u>176,052</u>
Fixed assets, net	<u>\$ 57,319</u>	<u>\$ 1,554</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$8,124 and \$4,394, respectively, and is included within depreciation and amortization expense on the Statements of Functional Expenses.

### 8. Intangible Assets, net

WhyHunger has intangible assets consisting of software and other technology. As of December 31, 2022 and 2021, all intangible assets were fully amortized.

### 9. Line of Credit and Loan Facility

WhyHunger has a line of credit with a financial institution in the amount of \$750,000 which matures in December 2023. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime (7.50% at December 31, 2022) plus one percentage point rounded to the next highest 0.125 and is never to be less than 5.25%. At December 31, 2022 and 2021, there were no outstanding borrowings under this line.

WhyHunger has a loan facility liquidity access line with a financial institution, which is collateralized by the Harry Chapin endowment fund (see Note 11). The total amount of the line fluctuates based on market volatility and collateral account balances. There are no minimum withdrawal requirements. At December 31, 2022 and 2021, the total available credit line was \$510,000 and \$575,000 at a variable interest rate of 6.89% and 2.83%, respectively. As of December 31, 2022 and 2021, there were no outstanding borrowings under this line.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 10. **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. 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 Statements of Financial Position at December 31, 2022 and 2021 in the amount of \$60,100 and \$64,664, respectively, which represents the amount management believes may need to be reimbursed to respective donors in the event the related experiences are not fulfilled.

### 11. **Board-Designated Funds**

In 1995, certain members of the Board of Directors (the "Board"), 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 Board 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 a transfer of \$160,000 to establish the operating reserve fund. During the year ended December 31, 2021, the Board approved an additional transfer of \$225,000 to the operating reserve fund.

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. During the year ended December 31, 2021, the Board approved a transfer of \$150,000 to establish 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.

In June 2023, the Organization's Finance Committee approved transfers of \$185,000 and \$50,000 to the board-designated operating reserve fund and the board-designated rapid response fund, respectively.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 12. Net Assets With Donor Restriction

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

	<u>2022</u>	<u>2021</u>
Subject to program expenditure for a specified purpose:		
La Finca farmer cooperative	\$ 304	\$ 1,171
Endowment funds subject to appropriation and expenditure	61,082	97,001
Eastern Woodlands Rematriation	389,797	311,427
Other program expenses, including re-granting of funds	<u>103,118</u>	<u>232,247</u>
Total purpose restriction	554,301	641,846
Subject to be held in perpetuity	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 654,301</u>	<u>\$ 741,846</u>

### 13. Net Assets Released From Restriction

During the years ended December 31, 2022 and 2021, net assets with donor restrictions were released for the following purposes:

	<u>2022</u>	<u>2021</u>
Satisfaction of program restrictions:		
La Finca farmer cooperative	\$ 867	\$ 2,775
Eastern Woodlands Rematriation	273,615	174,600
Program expenses, including re-granting of funds	<u>146,577</u>	<u>302,696</u>
Total	<u>\$ 421,059</u>	<u>\$ 480,071</u>

### 14. Endowment

WhyHunger's endowment consists of donor-restricted and board-designated funds (see Note 11). As required by U.S. GAAP, 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, 2022 and 2021, 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.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 14. Endowment (continued)

**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.

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, 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 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 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'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, 2022 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 161,082	\$ 161,082
Board-designated endowment funds	<u>708,165</u>	<u>-</u>	<u>708,165</u>
Total funds	<u>\$ 708,165</u>	<u>\$ 161,082</u>	<u>\$ 869,247</u>

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 861,885	\$ 197,001	\$1,058,886
Net investment income	5,938	1,187	7,125
Net depreciation	<u>(159,658)</u>	<u>(37,106)</u>	<u>(196,764)</u>
Endowment net assets, end of year	<u>\$ 708,165</u>	<u>\$ 161,082</u>	<u>\$ 869,247</u>

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 14. Endowment (continued)

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

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>

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>

### 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, 2022 and 2021, WhyHunger made a discretionary contribution to the plan totaling \$45,877 and \$48,401, respectively.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 16. Related Parties

During the years ended December 31, 2022 and 2021, the Organization did not incur significant expenses from related parties.

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

### 17. Leases

#### December 31, 2022:

In December 2021, WhyHunger executed a lease agreement to surrender its office space, which matured in January 2022, and relocate to a new location in the same building. The new 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, however the value of these leases is not considered material to the financial statements and they are therefore not reflected within this subsequent note disclosure. For the Organization's operating lease, the weighted-average discount rate represents the Organization's average estimated incremental borrowing rate. Lease terms may include options to extend or terminate a lease when it is reasonably certain that it will exercise the option. Operating leases with a term of twelve months or less are not recorded on the Statements of Activities.

The right-of-use assets and lease liabilities at December 31, 2022, are as follows:

#### **Lease assets - Classification in the Statement of Financial Position**

Operating lease right-of-use	<u>\$ 852,541</u>
Total leased right-of-use assets	<u>\$ 852,541</u>

#### **Lease liabilities - Classification in the Statement of Financial Position**

Right-of-use operating lease liability, current portion	\$ 62,518
Right-of-use operating lease liability, net of current portion	<u>798,408</u>
Total operating lease liabilities	<u>\$ 860,926</u>

#### **Total lease costs for the year ended December 31, 2022 are as follows:**

Operating lease costs	\$ 78,050
Variable lease costs	6,835
Short-term lease costs	<u>42,564</u>
Total lease costs	<u>\$ 127,449</u>

On the 2022 Statement of Functional Expenses, operating lease costs totaling \$127,449 is included within occupancy expense.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 17. Leases (continued)

#### December 31, 2022 (continued):

##### Weighted-average discount rate:

Operating leases 5.25%

##### Weighted-average remaining lease term (months):

Operating leases 112

Future minimum lease payments required under operating leases that have an initial or remaining noncancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 106,242
2024	108,898
2025	111,620
2026	114,411
2027	117,271
Thereafter	<u>542,645</u>
Total lease payments	1,101,087
Less: Imputed interest	<u>(240,161)</u>
Present value of lease liability	<u>\$ 860,926</u>

#### December 31, 2021:

**Operating leases:** In addition to its office space rental, WhyHunger also leases various copier and computer machines with terms through March 2024. Minimum future annual rentals as of December 31, 2021 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>

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.

# WHYHUNGER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 18. Upcoming Accounting Pronouncement

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (“ASC Topic 326”). ASC Topic 326 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value. Currently accounting guidance adheres to an incurred loss model for recognizing credit losses and delays the recognition until it is probable that a loss has been incurred. ASC Topic 326 introduces an approach based on current expected losses to estimate credit losses on certain types of financial instruments. ASU 2016-13 is effective for the Organization's year ending December 31, 2023. Management is currently evaluating the impact of this guidance on the Organization's financial statements and related disclosures.