

WHYHUNGER, INC.

FINANCIAL STATEMENTS
December 31, 2023 and 2022

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF FUNCTIONAL EXPENSES.....	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS.....	9

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, 2023 and 2022 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, 2023 and 2022, 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 audits. 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.

To the Board of Directors
WhyHunger, Inc.
Page 2

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 15, 2024

FINANCIAL STATEMENTS

WHYHUNGER, INC.

STATEMENTS OF FINANCIAL POSITION December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,986,916	\$ 4,346,207
Investments at fair value	991,686	849,073
Contributions and accounts receivable, current	358,579	421,492
Prepaid and other assets	82,841	89,194
Total current assets	6,420,022	5,705,966
Long-term assets:		
Fixed assets, net	47,601	57,319
Operating lease right-of-use assets	779,189	852,541
Total long-term assets	826,790	909,860
Total assets	\$ 7,246,812	\$ 6,615,826
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities	\$ 1,005,460	\$ 372,571
Grants payable	632,902	1,133,340
Right-of-use operating lease liability, current portion	68,601	62,518
Total current liabilities	1,706,963	1,568,429
Long-term liabilities:		
Right-of-use operating lease liability, long-term portion	729,807	798,408
Total long-term liabilities	729,807	798,408
Total liabilities	2,436,770	2,366,837
Net assets:		
Without donor restriction:		
Undesignated	2,527,666	2,375,497
Designated by the Board for operating reserve fund	570,093	385,050
Designated by the Board for rapid response fund	102,903	125,976
Designated by the Board for endowment	815,898	708,165
Total without donor restriction	4,016,560	3,594,688
With donor restriction:		
Purpose restricted	693,482	554,301
Perpetual in nature	100,000	100,000
Total with donor restriction	793,482	654,301
Total net assets	4,810,042	4,248,989
Total liabilities and net assets	\$ 7,246,812	\$ 6,615,826

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

WHYHUNGER, INC.

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenue and support:			
Individual contributions	\$ 514,677	\$ 18,750	\$ 533,427
Foundation grants and corporate donations	3,549,119	514,410	4,063,529
Government grants	465,297	-	465,297
Artists Against Hunger and Poverty/Hungerthon	1,088,907	-	1,088,907
Contributed nonfinancial assets	122,376	-	122,376
Special events, gross	272,330	-	272,330
Realized and unrealized gains on investments	100,228	31,001	131,229
Interest and other income, net investment fees	96,675	929	97,604
Miscellaneous	48	-	48
Net assets released from restrictions	425,909	(425,909)	-
Total revenue and support	<u>6,635,566</u>	<u>139,181</u>	<u>6,774,747</u>
Expenses:			
Program services:			
Grassroots Action Network	1,795,745	-	1,795,745
Artists Against Hunger and Poverty/Hungerthon	796,918	-	796,918
Nourish	870,058	-	870,058
Global Movements	1,322,977	-	1,322,977
General Media for Program Services	651,076	-	651,076
Total program services	<u>5,436,774</u>	<u>-</u>	<u>5,436,774</u>
Support services:			
Fundraising	325,643	-	325,643
Costs of direct benefit to donors	184,112	-	184,112
Management and general	267,165	-	267,165
Total support services	<u>776,920</u>	<u>-</u>	<u>776,920</u>
Total expenses	<u>6,213,694</u>	<u>-</u>	<u>6,213,694</u>
Change in net assets	421,872	139,181	561,053
Net assets, beginning of year	<u>3,594,688</u>	<u>654,301</u>	<u>4,248,989</u>
Net assets, end of year	<u>\$ 4,016,560</u>	<u>\$ 793,482</u>	<u>\$ 4,810,042</u>

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

WHYHUNGER, INC.

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
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
Expenses:			
Program services:			
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
Support services:			
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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services					Support 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 Support Services	
Salaries and related expenses:											
Salaries	\$ 205,298	\$ 418,214	\$ 412,633	\$ 303,226	\$ 275,959	\$ 1,615,330	\$ 154,367	\$ -	\$ 195,784	\$ 350,151	\$ 1,965,481
Payroll taxes and employee benefits	54,237	89,776	111,501	90,004	96,796	442,314	36,325	-	41,939	78,264	520,578
Total salaries and related expenses	259,535	507,990	524,134	393,230	372,755	2,057,644	190,692	-	237,723	428,415	2,486,059
Other expenses:											
Professional and contract	309,320	152,724	96,427	61,721	179,783	799,975	80,716	-	14,309	95,025	895,000
Postage and shipping	215	7,594	308	388	275	8,780	323	-	88	411	9,191
Supplies and other office expenses	4,569	3,536	7,112	3,706	19,099	38,022	14,803	-	874	15,677	53,699
Telephone and internet	1,439	2,151	3,551	3,220	2,560	12,921	1,540	-	593	2,133	15,054
Occupancy	11,459	21,463	26,698	23,295	23,819	106,734	12,040	-	7,591	19,631	126,365
Staff travel	15,378	4,448	10,939	10,503	4,466	45,734	5,367	-	467	5,834	51,568
Printing and publications	551	-	92	3,029	-	3,672	50	-	-	50	3,722
Equipment	1,176	2,355	2,929	2,556	2,613	11,629	1,321	-	833	2,154	13,783
Dues, fees, and subscriptions	181	321	5,262	7,132	1,451	14,347	463	-	43	506	14,853
Conference and meetings	6,701	180	14,495	6,665	1,720	29,761	1,118	-	64	1,182	30,943
Grants, awards, and donations	1,034,558	289	15,175	772,536	3,190	1,825,748	-	-	-	-	1,825,748
Bank charges and interest	1,472	8,587	1,034	926	1,012	13,031	2,802	-	290	3,092	16,123
Taxes, fines, and penalties	43	85	106	92	95	421	48	-	30	78	499
Insurance	3,385	5,738	7,301	6,300	6,442	29,166	2,998	-	2,167	5,165	34,331
Advertising	-	98	122,376	-	225	122,699	-	-	-	-	122,699
Repairs and maintenance	550	1,102	1,371	1,196	1,223	5,442	618	-	390	1,008	6,450
Program supplies	117,435	58,806	-	123	-	176,364	-	-	-	-	176,364
Meals, entertainment, and event venue expenses	25,540	3,667	25,475	21,158	25,619	101,459	8,341	184,112	204	192,657	294,116
Miscellaneous	802	12,913	1,701	2,085	1,543	19,044	792	-	484	1,276	20,320
Total expenses before depreciation and amortization	1,794,309	794,047	866,486	1,319,861	647,890	5,422,593	324,032	184,112	266,150	774,294	6,196,887
Depreciation and amortization	1,436	2,871	3,572	3,116	3,186	14,181	1,611	-	1,015	2,626	16,807
Total expenses	\$ 1,795,745	\$ 796,918	\$ 870,058	\$ 1,322,977	\$ 651,076	\$ 5,436,774	\$ 325,643	\$ 184,112	\$ 267,165	\$ 776,920	\$ 6,213,694

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					Support 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	
Salaries and related expenses:											
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
Other expenses:											
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	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.

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 561,053	\$ 635,430
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	16,807	8,124
Realized gain on sale of investments	(11,132)	(10,872)
Unrealized (gain) loss on investments	(120,097)	208,126
Donated stocks	(86,133)	(75,078)
Non-cash lease expense, net of accretion	10,834	8,385
Decrease (increase) in assets:		
Contributions and accounts receivable	62,913	(1,292)
Prepaid and other assets	6,353	(5,230)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	632,889	(166,635)
Grants payable	(500,438)	(321,220)
Net cash from operating activities	573,049	279,738
Cash flows from investing activities:		
Proceeds from sales of investments	320,624	349,951
Purchases of investments	(245,875)	(286,665)
Purchases of fixed assets	(7,089)	(63,889)
Net cash from investing activities	67,660	(603)
Net change in cash and cash equivalents	640,709	279,135
Cash and cash equivalents, beginning of year	4,346,207	4,067,072
Cash and cash equivalents, end of year	\$ 4,986,916	\$ 4,346,207
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 142	\$ 23
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating leases	\$ 106,241	\$ 69,665
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 903,629

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

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of the Organization

WhyHunger, Inc. (“WhyHunger” 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 (the “Board”) 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 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 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

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, 2023 and 2022.

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, 2023 or 2022, 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, 2023 and 2022, WhyHunger did not receive any in-kind stock 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, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Contributed advertising	\$ 122,376	\$ 138,845
Total contributed nonfinancial assets	<u>\$ 122,376</u>	<u>\$ 138,845</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, 2023 and 2022, the Organization received donated web-based advertising valued at \$122,376 and \$138,845, 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, 2023 or 2022.

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, 2023 and 2022, WhyHunger received donated web-based advertising valued at \$122,376 and \$138,845, 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 years
Computer and office equipment	3 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, 2023.

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2023 or 2022.

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.

Accounting Standards Codification ("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 IRS 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

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, 2023.

Leases: In accordance with Financial Accounting Standards Board (“FASB”) ASC Topic 842, *Leases*, (“ASC 842”), the Organization recognizes leases on the Statements of Financial Position and discloses key information about leasing arrangements. The Organization follows a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the Statements of Financial Position 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 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.

New standard adoption: Effective January 1, 2023, the Organization adopted the provisions of FASB ASC 326, *Financial Instruments - Credit Losses*, namely the currently expected credit loss model, in accounting for losses on certain financial instruments. There was no material impact on the Organization as a result of adopting this standard.

Subsequent events: Subsequent events have been evaluated through May 15, 2024, 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, 2023 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 479,404	\$ 724,146
Mutual funds	313,762	267,540
Total	<u>\$ 793,166</u>	<u>\$ 991,686</u>

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	295,722	244,405
Total	<u>\$ 770,651</u>	<u>\$ 849,073</u>

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2023 and 2022. 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, 2023 and 2022 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	<u>2023</u>			
	<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>
Common stocks	\$ 724,146	\$ 724,146	\$ -	\$ -
Mutual funds	267,540	267,540	-	-
Total	<u>\$ 991,686</u>	<u>\$ 991,686</u>	<u>\$ -</u>	<u>\$ -</u>

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

3. Investments at Fair Value (continued)

	2022			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 604,668	\$ 604,668	\$ -	\$ -
Mutual funds	244,405	244,405	-	-
Total	\$ 849,073	\$ 849,073	\$ -	\$ -

4. Liquidity and Availability

As of December 31, 2023 and 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Total financial assets at year-end:		
Cash and cash equivalents	\$ 4,986,916	\$ 4,346,207
Investments at fair value	991,686	849,073
Contributions and accounts receivable, net	358,579	421,492
Total financial assets at year-end	\$ 6,337,181	\$ 5,616,772
Less: amounts not available to be used within one year:		
Donor-restricted endowment	\$ (100,000)	\$ (100,000)
Internal Board-designated operating reserve fund	(570,093)	(385,050)
Internal Board-designated rapid response fund	(102,903)	(125,976)
Internal Board-designated endowment	(815,898)	(708,165)
Total amounts not available to be used within one year	\$ (1,588,894)	\$ (1,319,191)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,748,287	\$ 4,297,581

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

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, 2023 and 2022, 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 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. During the year ended December 31, 2023, WhyHunger received conditional promises to give totaling \$375,000. As of December 31, 2023, total contributions of \$180,000 have been recognized related to such promises, as the underlying programmatic and matching fund barriers were overcome and a right of release no longer exists.

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

5. Contributions and Accounts Receivable, Net (continued)

During the year ended December 31, 2020, WhyHunger received a three-year conditional promise to give totaling \$3,000,000. As of December 31, 2022, total contributions of \$3,000,000 were 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, 2023 and 2022, along with the expected maturity date of the gifts, are as follows:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give, gross	<u>\$358,579</u>	<u>\$421,492</u>
Amounts due in:		
Less: than one year	\$358,579	\$421,492
One to five years	-	-
Total	<u>\$358,579</u>	<u>\$421,492</u>

For the years ended December 31, 2023 and 2022, no allowance for doubtful accounts was recorded.

During the year ended December 31, 2023, support from one donor comprised approximately 26% of WhyHunger's total annual revenue and support. At December 31, 2023, unconditional promises to give from one donor totaled 10% of the receivable balance.

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.

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, 2023 and 2022, the total balance of prepaid and other assets was \$82,841 and \$89,194, respectively. Of this amount, \$46,170 and \$57,520 at December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 47,189	\$ 47,189
Computer and office equipment	25,653	18,564
Total	72,842	65,753
Less: accumulated depreciation	(25,241)	(8,434)
Fixed assets, net	<u>\$ 47,601</u>	<u>\$ 57,319</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$16,807 and \$8,124, 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, 2023 and 2022, 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 matured in April 2024. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime (8.50% at December 31, 2023) plus one percentage point rounded to the next highest 0.125 and is never to be less than 5.25%. At December 31, 2023 and 2022, there were no outstanding borrowings under this line.

In March 2024, WhyHunger executed a new line of credit agreement with a bank effective April 1, 2024, in the amount of \$750,000, and which matures December 1, 2025. The line of credit is secured by WhyHunger's assets and interest is charged on any outstanding balances at prime plus one percentage point and is never to be less than 7.50%.

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, 2023 and 2022, the total available credit line was \$588,975 and \$510,000 at a variable interest rate of 8.21% and 6.89%, respectively. As of December 31, 2023 and 2022, there were no outstanding borrowings under this line.

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

10. **Hungerthon Contingency**

As part of WhyHunger's 2020 annual Hungerthon event, various experiences were 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, 2023 and 2022 in the amount of \$60,100, 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, 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 an initial transfer of \$160,000 to establish the operating reserve fund. During the years ended December 31, 2021 and December 31, 2023, additional transfers to the operating reserve fund of \$225,000 and \$185,000, respectively, were approved by the Board.

In May 2022, the Organization's Board 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. An additional transfer of \$50,000 was approved by the Board in June 2023.

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.

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>2023</u>	<u>2022</u>
Subject to program expenditure for a specified purpose:		
La Finca farmer cooperative	\$ -	\$ 304
Endowment funds subject to appropriation and expenditure	93,012	61,082
Eastern Woodlands Rematriation	-	389,797
Rise Root Farm Documentary	18,234	-
Ken Kragen Memorial fund	6,376	-
Other program expenses, including re-granting of funds	<u>575,860</u>	<u>103,118</u>
Total purpose restriction	693,482	554,301
Subject to be held in perpetuity	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 793,482</u>	<u>\$ 654,301</u>

13. Net Assets Released From Restriction

During the years ended December 31, 2023 and 2022, net assets with donor restrictions were released for the following purposes:

	<u>2023</u>	<u>2022</u>
Satisfaction of program restrictions:		
La Finca farmer cooperative	\$ 304	\$ 867
Eastern Woodlands Rematriation	389,797	273,615
Rise Root Farm Documentary	15,303	-
Ken Kragen Memorial fund	12	-
Program expenses, including re-granting of funds	<u>20,493</u>	<u>146,577</u>
Total	<u>\$ 425,909</u>	<u>\$ 421,059</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, 2023 and 2022, 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

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

14. Endowment (continued)

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.

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 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, 2023 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 193,012	\$ 193,012
Board-designated endowment funds	815,898	-	815,898
Total funds	<u>\$ 815,898</u>	<u>\$ 193,012</u>	<u>\$1,008,910</u>

Changes in endowment net assets as of December 31, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 708,165	\$ 161,082	\$ 869,247
Net investment income	4,826	929	5,755
Net appreciation	102,907	31,001	133,908
Endowment net assets, end of year	<u>\$ 815,898</u>	<u>\$ 193,012</u>	<u>\$1,008,910</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, 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	708,165	-	708,165
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	(159,658)	(37,106)	(196,764)
Endowment net assets, end of year	<u>\$ 708,165</u>	<u>\$ 161,082</u>	<u>\$ 869,247</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, 2023 and 2022, WhyHunger made a discretionary contribution to the plan totaling \$55,070 and \$45,877, respectively.

16. Related Parties

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

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

17. Leases

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 October 2027; however, the value of such leases are not considered material to the financial statements and are therefore not reflected within the 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 are as follows:

	<u>2023</u>	<u>2022</u>
Lease assets - Classification in the Statement of Financial Position		
Operating lease right-of-use	\$ 779,189	\$ 852,541
Total leased right-of-use assets	<u>\$ 779,189</u>	<u>\$ 852,541</u>
Lease liabilities - Classification in the Statement of Financial Position		
Right-of-use operating lease liability, current portion	\$ 68,601	\$ 62,518
Right-of-use operating lease liability, net of current portion	<u>729,807</u>	<u>798,408</u>
Total operating lease liabilities	<u>\$ 798,408</u>	<u>\$ 860,926</u>
Annual lease costs		
Operating lease costs	\$ 117,075	\$ 78,050
Variable lease costs	9,290	6,835
Short-term lease costs	-	42,564
Total lease costs	<u>\$ 126,365</u>	<u>\$ 127,449</u>

On the 2023 and 2022 Statements of Functional Expenses, operating lease costs totaling \$126,365 and \$127,449, respectively is included within occupancy expense.

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

17. Leases (continued)

	2023	2022
Weighted-average discount rate:		
Operating leases	5.25%	5.25%
Weighted-average remaining lease term (months):		
Operating leases	100	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:

Year Ending December 31,	Amount
2024	\$ 108,898
2025	111,620
2026	114,411
2027	117,271
2028	120,203
Thereafter	422,442
Total lease payments	994,845
Less: Imputed interest	(196,437)
Present value of lease liability	\$ 798,408

18. Government Grants

On March 25, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which provided fast and direct economic assistance for American workers, families, small businesses, and industries. The CARES Act also established the Employee Retention Credit (“ERC”), which was designed to make it easier for entities that, despite challenges posed by the coronavirus pandemic (“COVID-19”), chose to keep their employees on their payroll. Originally an alternative relief to the Paycheck Protection Program (“PPP”), the Taxpayer Certainty and Disaster Relief Act of 2020, enacted December 27, 2020, made several changes to the ERC, retroactive to the March 27, 2020 enactment of the CARES Act, for the law to allow employers who received PPP loans to claim the ERC for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.

During 2023, the Organization applied for the ERC for qualifying pay periods from 2020 and 2021. The credits are refundable credits that businesses and organizations could claim on qualified wages, including certain health insurance costs paid to employees. During the year ended December 31, 2023, the Organization received ERC funds totaling \$401,297 which is included in government grants on the 2023 Statement of Activities.

WHYHUNGER, INC.

NOTES TO FINANCIAL STATEMENTS

18. Government Grants (continued)

The Organization also received a grant from the Massachusetts Local Food Purchase Assistance Cooperative Agreement Program totaling \$64,000 during the year, the amount of which was received in a fiscal sponsorship capacity and is to be utilized to support the Eastern Woodlands Rematriation Collective. The total grant amount is included within government grants on the 2023 Statement of Activities.