



Financial Statements

American Relief Agency for the Horn of Africa

Columbia Heights, Minnesota

For the years ended December 31, 2021 and 2020



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090
F 952.835.3261

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727
F 507.388.9139

American Relief Agency for the Horn of Africa
Table of Contents
December 31, 2021 and 2020

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	6
Statements of Activities	8
Statements of Functional Expenses	10
Statements of Cash Flows	12
Notes to the Financial Statements	13

INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Relief Agency for the Horn of Africa
Columbia Heights, Minnesota

Opinion

We have audited the accompanying financial statements of the American Relief Agency for the Horn of Africa (the Organization), a Minnesota nonprofit corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Relief Agency for the Horn of Africa as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the inventory of the Mogadishu and Hargeisa offices of the Organization as of December 31, 2021 and 2020. Those amounts were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Organization, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit 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 the American Relief Agency for the Horn of Africa 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 these 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 the American Relief Agency for the Horn of Africa'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, including omissions, 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 the Organization'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 the Organization'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.



Abdo
Minneapolis, Minnesota
May 4, 2022



FINANCIAL STATEMENTS

American Relief Agency for the Horn of Africa
 Statements of Financial Position
 December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 968,647	\$ 741,470
Accounts receivable	12,015	1,836
Pledges receivable, net of allowance for doubtful accounts of \$23,236 and \$22,172 in 2021 and 2020, respectively	209,126	199,552
Inventory	24,387	40,496
Prepaid expenses	2,358	1,644
Total Current Assets	1,216,533	984,998
Noncurrent Assets		
Agreement Deposit	100,000	100,000
Property and Equipment		
Land and improvements	45,675	45,675
Building and improvements	222,311	219,886
Furniture and equipment	84,895	77,064
Vehicles	25,400	25,400
Total Property and Equipment, Cost	378,281	368,025
Less Accumulated Depreciation	(138,104)	(115,764)
Total Property and Equipment, Net	240,177	252,261
Intangible Assets		
Mailing list	350	350
Software	16,282	16,282
Website	3,268	6,753
Total Intangible Assets, Cost	19,900	23,385
Less Accumulated Amortization	(13,566)	(13,430)
Total Intangible Assets, Net	6,334	9,955
Total Assets	\$ 1,563,044	\$ 1,347,214

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
 Statements of Financial Position (Continued)
 December 31, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 51,803	\$ 111,371
Accrued expenses	95,226	109,997
Security deposit	2,398	2,898
Paycheck Protection Program loan payable	-	81,151
Total Current Liabilities	149,427	305,417
Net Assets		
Without donor restrictions		
Undesignated	463,593	108,854
Board designated	336,346	329,226
Total without donor restrictions	799,939	438,080
With donor restrictions	613,678	603,717
Total Net Assets	1,413,617	1,041,797
 Total Liabilities and Net Assets	 \$ 1,563,044	 \$ 1,347,214

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 314,839	\$ 1,818,143	\$ 2,132,982
Paycheck Program Program forgiveness	144,131	-	144,131
In-kind donations	3,374,326	-	3,374,326
Rental income	39,677	-	39,677
Miscellaneous income	757	-	757
Net assets released from restrictions	1,808,182	(1,808,182)	-
Total Revenue and Support	5,681,912	9,961	5,691,873
Expenses			
Program services	4,882,552	-	4,882,552
Supporting services			
Management and general	136,202	-	136,202
Fundraising	301,299	-	301,299
Total Expenses	5,320,053	-	5,320,053
Change in Net Assets	361,859	9,961	371,820
Net Assets, January 1	438,080	603,717	1,041,797
Net Assets, December 31	\$ 799,939	\$ 613,678	\$ 1,413,617

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
 Statements of Activities (Continued)
 For the Years Ended December 31, 2021 and 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Other Support			
Contributions	\$ 416,007	\$ 1,557,902	\$ 1,973,909
In-kind donations	4,076,964	-	4,076,964
Rental income	40,715	-	40,715
Miscellaneous income	1,565	-	1,565
Net assets released from restrictions	1,932,196	(1,932,196)	-
Total Revenues and Support	<u>6,467,447</u>	<u>(374,294)</u>	<u>6,093,153</u>
Expenses			
Program services	5,943,192	-	5,943,192
Supporting services			
Management and general	164,984	-	164,984
Fundraising	318,436	-	318,436
Total Expenses	<u>6,426,612</u>	<u>-</u>	<u>6,426,612</u>
Change in Net Assets	40,835	(374,294)	(333,459)
Net Assets, January 1	<u>397,245</u>	<u>978,011</u>	<u>1,375,256</u>
Net Assets, December 31	<u>\$ 438,080</u>	<u>\$ 603,717</u>	<u>\$ 1,041,797</u>

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
 Statements of Functional Expenses
 For the Years Ended December 31, 2021 and 2020

	2021			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
Salaries and Related Expenses				
Staff salaries	\$ 154,134	\$ 86,112	\$ 193,934	\$ 434,180
Employee benefits	7,779	4,346	9,788	21,913
Payroll taxes	8,041	4,492	10,117	22,650
Total Salaries and Related Expenses	<u>169,954</u>	<u>94,950</u>	<u>213,839</u>	<u>478,743</u>
Expenses				
Accounting	3,130	12,519	-	15,649
Building maintenance	1,639	4,916	-	6,555
Events	892	-	10,257	11,149
Media and marketing	526	-	25,758	26,284
Occupancy	11,493	13,532	8,959	33,984
Office and administrative	62,144	4,678	-	66,822
Postage, printing and shipping	296	296	29,039	29,631
Professional services	8,878	254	3,551	12,683
Project supplies	4,589,824	-	-	4,589,824
Travel and transportation	18,353	202	1,613	20,168
Total Expenses Before Depreciation and Amortization	<u>4,867,129</u>	<u>131,347</u>	<u>293,016</u>	<u>5,291,492</u>
Depreciation and amortization	<u>15,423</u>	<u>4,855</u>	<u>8,283</u>	<u>28,561</u>
Total Expenses	<u>\$ 4,882,552</u>	<u>\$ 136,202</u>	<u>\$ 301,299</u>	<u>\$ 5,320,053</u>

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
 Statements of Functional Expenses (Continued)
 For the Years Ended December 31, 2021 and 2020

	2020			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
Salaries and Related Expenses				
Staff salaries	\$ 157,468	\$ 87,975	\$ 198,129	\$ 443,572
Employee benefits	8,060	4,502	10,141	22,703
Payroll taxes	8,275	4,623	10,412	23,310
Total Salaries and Related Expenses	<u>173,803</u>	<u>97,100</u>	<u>218,682</u>	<u>489,585</u>
Expenses				
Accounting	1,021	19,820	-	20,841
Building maintenance	10,160	3,245	5,378	18,783
Events	-	225	27,236	27,461
Media and marketing	3,263	15,196	17,709	36,168
Occupancy	9,200	10,831	7,172	27,203
Office and administrative	72,880	8,967	14,986	96,833
Postage, printing, and shipping	63,562	3,783	8,323	75,668
Professional services	9,609	837	-	10,446
Project supplies	5,566,686	-	9,386	5,576,072
Travel and transportation	17,798	122	1,512	19,432
Total Expenses Before Depreciation and Amortization	<u>5,927,982</u>	<u>160,126</u>	<u>310,384</u>	<u>6,398,492</u>
Depreciation and amortization	<u>15,210</u>	<u>4,858</u>	<u>8,052</u>	<u>28,120</u>
Total Expenses	<u>\$ 5,943,192</u>	<u>\$ 164,984</u>	<u>\$ 318,436</u>	<u>\$ 6,426,612</u>

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 371,820	\$ (333,459)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	28,561	28,120
Forgiveness from Paycheck Protection loan payable	(144,131)	-
(Increase) decrease in assets:		
Accounts receivable	(10,179)	(1,436)
Pledges receivable	(9,574)	(154,647)
Inventory	16,109	(10,099)
Prepaid expenses	(714)	150
Increase (decrease) in liabilities:		
Accounts payable	(59,568)	(52,891)
Accrued expenses	(14,771)	20,636
Security deposit	(500)	-
Net Cash Provided (Used) by Operating Activities	177,053	(503,626)
Cash Flows from Investing Activities		
Purchase property and equipment	(12,856)	(5,690)
Purchase intangible assets	-	(3,268)
Net Cash Used by Investing Activities	(12,856)	(8,958)
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan payable	62,980	81,151
Change in Cash and Cash Equivalents	227,177	(431,433)
Beginning Cash and Cash Equivalents	741,470	1,172,903
Ending Cash and Cash Equivalents	\$ 968,647	\$ 741,470
Supplemental Schedule of Noncash Investing and Financing Activities		.
Disposal of fully depreciated property and equipment	\$ 2,600	\$ -
Disposal of fully amortized intangible assets	\$ 3,485	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

American Relief Agency for the Horn of Africa (the Organization) is a non-profit organization incorporated on September 7, 2000, in Minnesota. ARAHA strives to alleviate human suffering and build self-reliant communities, by providing humanitarian aid and empowering individuals in the Horn of Africa and here at home. The Organization receives a majority of its support from grants and contributions. The major programs of the Organization are as follows:

Food Distribution - Over 50,000 people are served by the distributions each year. The Organization employs a rigorous process of working with local officials and trusted community representatives to identify the specific families that would benefit the most from the Organization's regular food programs.

Water Wells - The Organization works tirelessly to help those in the Horn of Africa who struggle to find water on a daily basis. Thousands of people and livestock now have easy access to water that is necessary to sustain life thanks to the dozens of shallow, hand-and-machine-dug wells that the Organization builds each year.

Education - The Organization's goal is to give families the opportunity to help break the cycle of poverty in the Horn of Africa by building and maintaining of schools and computer labs, distributing textbooks and other essential supplies, and paying teacher salaries.

Income Generation - The Organization has developed several projects, such as water tankers and dairy cows, which promote self-reliance by helping beneficiaries generate an income. By making their own money, families do not need to wait for another round of emergency aid to feed or clothe their children.

Orphan Sponsorship - Millions of children are orphaned due to war, famine, HIV/AIDS, and drought in the Horn of Africa. The Organization's sponsorship provides food, clothing, and school fees to ensure that children who have lost their parents are able to stay in school and have hope for a better future.

Medical and Disaster Relief - The Organization brings relief to thousands in East Africa when drought, disease, or famine comes to the region. Whether the relief efforts include setting up a mobile cholera clinic on the ground or delivering emergency water rations during severe drought seasons, our goal is to reach as many people as possible when disaster strikes the Horn of Africa.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Classification of Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Without Donor Restriction

Net assets available for use in general operations and not subject to donor restrictions. Designated amounts represent those revenues the Board of Directors has set aside for a particular purpose.

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 other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. See Note 9 for more detail.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in its financial statement and accompanying notes. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At times, balances maintained at financial institutions may exceed the federally insured limit.

F. Accounts Receivable

Accounts receivable consist primarily of amounts billed for rent. Management provides for probable uncollectible amounts through a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

G. Pledges Receivable

Pledges receivable represent unconditional commitments from foundations, corporations, and individuals and are stated at the amount management expects to collect from outstanding balances. Such pledges are recorded after being discounted to the anticipated net present value of cash flows. Management provides for probable uncollectible amounts through a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization periodically reviews individual accounts. As of December 31, 2021 and 2020, allowance for doubtful accounts was \$23,236 and \$22,172, respectively.

H. Inventory

The Organization maintains inventory at its Mogadishu and Hargeisa offices. The Organization values its inventory using estimates from published valuation guides in addition to management's evaluation of the condition of the inventory. Based on management's evaluation, each inventory item is assigned a value which is applied consistently to each inventory item.

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

J. Property, Equipment, and Intangible Assets

Property, equipment, and intangible assets are recorded at cost or, in the case of contributed property, at fair value at the date of contribution. Expenditures for replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed as incurred. At the time assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the statement of activities. The Organization generally capitalizes asset purchases over \$1,000.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Assets are depreciated and amortized using the straight-line and accelerated methods over the following useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Building and Improvements	15 - 39
Equipment	5 - 7
Mailing List, Software, and Website	5

For the years ended December 31, 2021 and 2020, depreciation and amortization expense was \$28,561 and \$28,120, respectively.

K. Support and Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

L. In-kind Goods and Services

The Organization receives gifts in-kind, which consists of textbooks for students, medical supplies for hospitals, and food for use in programs. In-kind revenue is recognized when the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with accounting principles generally accepted in the United States of America. Gifts in-kind received through donations are valued and recorded as revenue at fair value at the time the contribution is received. When the Organization distributes gifts in-kind as part of programs, an expense is reported in charitable giving program expenses in the statement of functional expenses.

Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization to fulfill its purpose. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. During the years ended December 31, 2021 and 2020, the Organization received in-kind goods and services with an estimated fair value of \$3,374,326 and \$4,076,964, and distributed in-kind goods with an estimated fair value of \$3,390,434 and \$4,066,865, respectively.

M. Functional Expenses

The costs of providing the Organization's various programs and supporting services are reflected on the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization's largest portion of expenses includes salaries and benefits which are allocated based on each positions' responsibilities. Those expenses that are organization-wide in nature are allocated based on the percentage breakout of salaries unless a specific allocation can be made.

N. Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

O. Advertising

Advertising costs are expensed as incurred and totaled \$26,284 and \$36,168 for the years ended December 31, 2021 and 2020, respectively.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

P. Shipping and Handling Costs

Shipping and handling costs are included in postage and printing expenses on the statements of functional expenses.

Q. Upcoming Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2021 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization for the year ending December 31, 2022. The Organization is currently evaluating the impact of the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

R. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 4, 2022, the date the financial statements were available to be issued.

On January 4, 2022, the Paycheck Protection Program loan of \$62,980 was fully forgiven. See note 7 for additional information.

Note 2: Pledges Receivable

Pledges receivable represent amounts committed by donors that have not been received by the Organization. Pledges receivable consist of the following at December 31, 2021 and 2020:

	2021	2020
Amounts Due in:		
Less than one year	\$ 232,362	\$ 221,724
Less: Allowance for doubtful accounts	(23,236)	(22,172)
Total Pledge Receivables	\$ 209,126	\$ 199,552

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 3: Cooperation Agreement

In 2016, the Organization entered into a continuous agreement with United Arab Emirates Red Crescent Authority (UAE), where UAE would finance certain projects within the Horn of Africa and the Organization would supply the labor to perform approved projects. Under the terms of the agreement, the Organization was required and agreed to pay a \$100,000 agreement deposit in which UAE indicated it would simply hold the check issued to UAE in perpetuity and would not deposit the check. The purpose of the deposit is to have the ability to find labor to complete approved projects in the chance that the Organization does not fulfill the obligations.

Note 4: Credit Cards

The Organization maintained a credit card account to cumulatively borrow up to \$25,000 as of December 31, 2021 and 2020. Balances on these accounts accrue interest at variable rates of interest. Advances on these accounts are included in accounts payable on the statement of financial position.

Note 5: Accrued Vacation Pay

The Organization provides vacation time for both full-time exempt and non-exempt employees based on length of service. An employee cannot maintain any additional vacation time than the maximum the employee is allowed to earn in a twelve month period.

Note 6: Accrued Severance and Sick Pay

The Organization has a special provision in the sick pay policy which states that unused sick time, up to 25 days, will be paid out to an employee as normal wages at retirement. In addition, the Organization entered into an agreement with the Executive Director which included a provision to provide a severance package upon termination of employment.

Note 7: Paycheck Protection Program Loan

In June 2020, the Organization entered into a promissory note agreement with TCF National Bank in the amount of \$81,151 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrued interest at 1 percent per annum and was scheduled to mature June 2022. This loan was forgiven in full in June of 2021 and is recognized as revenue in the Statement of Activities in 2021.

In May 2021, the Organization entered into a promissory note agreement with Wells Fargo SBA Lending in the amount of \$62,980 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrued interest at 1 percent per annum and was scheduled to mature May 2026. This loan was recognized as revenue in the Statement of Activities in 2021. In January 2022, the loan was fully forgiven.

Note 8: Board Designated Net Assets

The Organization's Board of Directors has established an account of net assets without donor restrictions designated to help establish an estimated six month reserve for operating expenses. Board designated net assets were \$336,346 and \$329,226 at December 31, 2021 and 2020, respectively.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Education	\$ 280,230	\$ 298,613
Disaster Relief	109,246	112,872
Income Generating Projects	88,269	90,051
Other	62,803	2,129
Orphans	48,192	5,677
Zakat Almaal	18,194	90,911
Food	<u>6,744</u>	<u>3,464</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 613,678</u>	 <u>\$ 603,717</u>

Note 10: In-kind Contributions

The Organization received the following in-kind contributions during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Food	\$ 1,698,279	\$ 1,643,394
Medical Supplies	<u>1,676,047</u>	<u>2,433,570</u>
 Total	 <u>\$ 3,374,326</u>	 <u>\$ 4,076,964</u>

Note 11: Rental Income

During 2021 and 2020, the Organization leased a portion of the office space to two non-related businesses on a month-to-month basis. The first lease, with Building Blocks of Islam, has monthly payments of \$1,697, plus its share per square footage of electricity and heating expenses. The second lease, with Urban Children and Youth Education Center, has monthly payments of \$1,365, plus its share per square footage of electricity and heating expenses. Both of these leases are on a monthly basis. Additionally, the Organization rents out its basement on a case-by-case basis for \$25 per hour. Total rental income from these leases was \$39,677 and \$40,715 as of December 31, 2021 and 2020, respectively.

Note 12: Retirement Plan

The Organization offers a simple IRA plan to qualified staff participants in which the Organization will match up to 3% of what the employee contributed. Pension expense amounted to \$5,631 and \$5,653 for the years ended December 31, 2021 and 2020, respectively.

Note 13: Foreign Small Office Leases

The Organization rents five office spaces in Africa for the purpose of overseeing the programs in Africa. All office spaces are on a month-to-month or less than a calendar year basis. Total rent expense for these five offices amounted to \$23,167 and \$17,610 for the years ended December 31, 2021 and 2020, respectively.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2021 and 2020

Note 14: Commitment to Fund Annual Operations of School

In 2010, the Organization built a school for girls in the Shegerab camp in eastern Sudan in partnership with Healing Bridges, Inc. The partnership agreement with Healing Bridges stated that Healing Bridges will continue to support the school financially for operational expenses. In 2011, the Organization has determined that Healing Bridges failed to fulfill the promise and had stopped all funding in support of the school. The Organization has assessed that it has a moral obligation to support all of the school's operational costs going forward until other assistance can be found. In 2019, ARAHA rehabilitated a nearby school building – in the same refugee camp – to be used as a high school for boys. As of December 31, 2021, the Organization has estimated that yearly operating costs for both schools are about \$97,000, for which the Organization covers 100%. The Organization intends to continue fully funding the school's operating costs on an annual basis, as part of the Organization's continuing mission work.

Note 15: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2021 and 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and Cash Equivalents	\$ 968,647	\$ 741,470
Accounts Receivable	12,015	1,836
Pledges Receivable, Net	209,126	199,552
Total Financial Assets	1,189,788	942,858
Less financial assets unavailable for general expenditure within one year, due to:		
Internal board designations	(336,346)	(329,226)
Donor-imposed restrictions	(613,678)	(603,717)
Financial assets available to meet cash needs for general expenditures within one year	\$ 239,764	\$ 9,915

As part of the Organization's liquidity plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of short-term needs in savings accounts.