



Financial Statements

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

For the years ended December 31, 2022 and 2021



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American Relief Agency for the Horn of Africa
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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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Relief Agency for the Horn of Africa as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the inventory of the Mogadishu and Hargeisa offices of the Organization as of December 31, 2022 and 2021. 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
Need Date 2023

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FINANCIAL STATEMENTS

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American Relief Agency for the Horn of Africa

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 994,123	\$ 968,647
Accounts receivable	132,286	12,015
Pledges receivable, net of allowance for doubtful accounts of \$4,714 and \$23,236 in 2022 and 2021, respectively	42,429	209,126
Inventory	2,238	24,387
Prepaid expenses	49	2,358
Total Current Assets	<u>1,171,125</u>	<u>1,216,533</u>
Noncurrent Assets		
Agreement Deposit	<u>100,000</u>	<u>100,000</u>
Property and Equipment		
Land and improvements	45,675	45,675
Building and improvements	226,107	222,311
Furniture and equipment	88,895	84,895
Vehicles	57,710	25,400
Total Property and Equipment, Cost	418,387	378,281
Less Accumulated Depreciation	(167,626)	(138,104)
Total Property and Equipment, Net	<u>250,761</u>	<u>240,177</u>
Intangible Assets		
Mailing list	350	350
Software	19,655	16,282
Website	3,268	3,268
Total Intangible Assets, Cost	23,273	19,900
Less Accumulated Amortization	(15,709)	(13,566)
Total Intangible Assets, Net	<u>7,564</u>	<u>6,334</u>
Total Assets	<u>\$ 1,529,450</u>	<u>\$ 1,563,044</u>

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, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 57,331	\$ 51,803
Accrued expenses	110,039	95,226
Security deposit	2,398	2,398
Total Current Liabilities	169,768	149,427
Net Assets		
Without donor restrictions		
Undesignated	248,947	463,593
Board designated	434,749	336,346
Total without donor restrictions	683,696	799,939
With donor restrictions	675,986	613,678
Total Net Assets	1,359,682	1,413,617
Total Liabilities and Net Assets	\$ 1,529,450	\$ 1,563,044

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American Relief Agency for the Horn of Africa
 Statements of Activities
 For the Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 229,858	\$ 3,378,956	\$ 3,608,814
In-kind donations	3,614,652	-	3,614,652
Rental income	41,565	-	41,565
Gain on the sale of the fixed asset	1,033	-	1,033
Miscellaneous income	238	-	238
Net assets released from restrictions	3,316,648	(3,316,648)	-
Total Revenue and Support	<u>7,203,994</u>	<u>62,308</u>	<u>7,266,302</u>
Expenses			
Program services	6,741,999	-	6,741,999
Supporting services			
Management and general	448,873	-	448,873
Fundraising	129,365	-	129,365
Total Expenses	<u>7,320,237</u>	<u>-</u>	<u>7,320,237</u>
Change in Net Assets	(116,243)	62,308	(53,935)
Net Assets, January 1	<u>799,939</u>	<u>613,678</u>	<u>1,413,617</u>
Net Assets, December 31	<u>\$ 683,696</u>	<u>\$ 675,986</u>	<u>\$ 1,359,682</u>

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, 2022 and 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Other Support			
Contributions	\$ 314,839	\$ 1,818,143	\$ 2,132,982
Paycheck Protection 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 Revenues and Support	<u>5,681,912</u>	<u>9,961</u>	<u>5,691,873</u>
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	<u>5,320,053</u>	<u>-</u>	<u>5,320,053</u>
Change in Net Assets	361,859	9,961	371,820
Net Assets, January 1	<u>438,080</u>	<u>603,717</u>	<u>1,041,797</u>
Net Assets, December 31	<u>\$ 799,939</u>	<u>\$ 613,678</u>	<u>\$ 1,413,617</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, 2022 and 2021

	2022			Total Expenses
	Supporting Services			
	Program Services	Management and General	Fundraising	
Salaries and Related Expenses				
Staff salaries	\$ 211,262	\$ 308,414	\$ -	\$ 519,676
Employee benefits	7,896	10,644	100	18,640
Payroll taxes	-	28,246	-	28,246
Total Salaries and Related Expenses	<u>219,158</u>	<u>347,304</u>	<u>100</u>	<u>566,562</u>
Expenses				
Accounting	2,730	15,085	-	17,815
Building maintenance	7,234	18,086	-	25,320
Events	-	22,678	10,762	33,440
Media and marketing	1,942	1,136	30,681	33,759
Occupancy	26,795	9,734	1,749	38,278
Office and administrative	15,943	8,765	54,385	79,093
Postage, printing and shipping	12,114	10,181	22,082	44,377
Professional services	10,770	3,604	2,458	16,832
Project supplies	6,379,711	9,718	2,275	6,391,704
Travel and transportation	32,738	2,582	4,873	40,193
Total Expenses Before Depreciation and Amortization	<u>6,709,135</u>	<u>448,873</u>	<u>129,365</u>	<u>7,287,373</u>
Depreciation and amortization	<u>32,864</u>	<u>-</u>	<u>-</u>	<u>32,864</u>
Total Expenses	<u>\$ 6,741,999</u>	<u>\$ 448,873</u>	<u>\$ 129,365</u>	<u>\$ 7,320,237</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, 2022 and 2021

	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 Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (53,935)	\$ 371,820
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,864	28,561
Forgiveness from Paycheck Protection loan payable	-	(144,131)
(Increase) decrease in assets:		
Accounts receivable	(120,271)	(10,179)
Pledges receivable	166,697	(9,574)
Inventory	22,149	16,109
Prepaid expenses	2,309	(714)
Increase (decrease) in liabilities:		
Accounts payable	5,528	(59,568)
Accrued expenses	14,813	(14,771)
Security deposit	-	(500)
Net Cash Provided by Operating Activities	70,154	177,053
 Cash Flows from Investing Activities		
Purchase of equipment	(40,106)	(12,856)
Purchase intangible assets	(4,572)	-
Net Cash Used by Investing Activities	(44,678)	(12,856)
 Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan payable	-	62,980
 Change in Cash and Cash Equivalents	25,476	227,177
Beginning Cash and Cash Equivalents	968,647	741,470
Ending Cash and Cash Equivalents	\$ 994,123	\$ 968,647
 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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, allowance for doubtful accounts was \$4,714 and \$23,236, 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, 2022 and 2021

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:

Assets	Useful Lives in Years
Building and Improvements	15 - 39
Equipment	5 - 7
Vehicle	5
Mailing List, Software, and Website	3-5

For the years ended December 31, 2022 and 2021, depreciation and amortization expense was \$32,864 and \$28,561, 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, 2022 and 2021, the Organization received in-kind goods and services with an estimated fair value of \$3,614,652 and \$3,374,326, and distributed in-kind goods with an estimated fair value of \$3,622,402 and \$3,390,434, 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 \$33,759 and \$26,284 for the years ended December 31, 2022 and 2021, respectively.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2022 and 2021

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. New 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 were applied on a retrospective basis and were in effect for the year ended December 31, 2022.

R. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through Need Date 2023, 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, 2022 and 2021:

	2022	2021
Amounts Due in:		
Less than one year	\$ 47,144	\$ 232,362
Less: Allowance for doubtful accounts	(4,715)	(23,236)
Total Pledge Receivables	\$ 42,429	\$ 209,126

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, 2022 and 2021. 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.

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2022 and 2021

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 \$434,749 and \$336,346 at December 31, 2022 and 2021, respectively.

Note 9: Net Assets with Donor Restrictions

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

	2022	2021
Education	\$ 299,098	\$ 280,230
Other	155,963	62,803
Income Generating Projects	94,206	88,269
Zakat Al-Maal	87,821	18,194
Disaster Relief	27,791	109,246
Food	6,284	6,744
Orphans	4,823	48,192
Total Net Assets With Donor Restrictions	\$ 675,986	\$ 613,678

American Relief Agency for the Horn of Africa
Notes to the Financial Statements
December 31, 2022 and 2021

Note 10: In-kind Contributions

The Organization received the following in-kind contributions during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Usage in Program/Activities</u>	<u>Donor Restrictions</u>	<u>Fair Value Techniques</u>
Food	\$ 1,833,062	\$ 1,698,279	Food distribution program	None	Estimated wholesale cost of similar products
Medical Supplies	1,500,920	1,676,047	Medical and disaster relief program	None	Estimated wholesale cost of similar products
Shipping costs	<u>280,670</u>	<u>-</u>	Food distribution program	None	Estimated cost of similar shipping services
Total	<u>\$ 3,614,652</u>	<u>\$ 3,374,326</u>			

Note 11: Rental Income

During 2022 and 2021, 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 \$41,565 and \$39,677 as of December 31, 2022 and 2021, 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 \$7,896 and \$5,631 for the years ended December 31, 2022 and 2021, 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 \$25,594 and \$23,167 for the years ended December 31, 2022 and 2021, respectively.

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, 2022, 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.

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Note 15: Liquidity and Availability of Financial Resources

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:

	2022	2021
Cash and Cash Equivalents	\$ 994,123	\$ 968,647
Accounts Receivable	132,286	12,015
Pledges Receivable, Net	42,429	209,126
Total Financial Assets	1,168,838	1,189,788
Less financial assets unavailable for general expenditure within one year, due to:		
Internal board designations	(434,749)	(336,346)
Donor-imposed restrictions	(675,986)	(613,678)
Financial assets available to meet cash needs for general expenditures within one year	\$ 58,103	\$ 239,764

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.

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