

World Food Program, USA

Financial Report
September 30, 2022

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-15

Independent Auditor's Report

Board of Directors
World Food Program, USA

Opinion

We have audited the financial statements of World Food Program, USA (WFP USA), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP USA as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 WFP USA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on Summarized Comparative Information

We have previously audited WFP USA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
January 11, 2023

World Food Program, USA

**Statement of Financial Position
September 30, 2022
(With Comparative Totals for 2021)**

	2022	2021
Assets		
Cash	\$ 39,379,454	\$ 12,828,481
Custodial funds investments	270,478	406,496
Contributions receivable, net	1,621,481	653,332
Prepaid expenses and other assets	860,051	489,323
Advances to subrecipients	47,230,314	-
Investments	10,602,803	10,571,241
Property and equipment, net	407,156	394,881
	<u>407,156</u>	<u>394,881</u>
Total assets	\$ 100,371,737	\$ 25,343,754
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 1,161,866	\$ 898,217
Grants payable to World Food Programme (WFP)	20,565,840	4,432,699
Custodial funds	270,478	406,496
Refundable advances	47,904,988	17,782
Deferred rent	71,690	204,228
	<u>71,690</u>	<u>204,228</u>
Total liabilities	69,974,862	5,959,422
Commitments and contingency (Notes 10 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	19,086,373	10,305,997
Designated by the Board	10,900,000	9,000,000
	<u>10,900,000</u>	<u>9,000,000</u>
	29,986,373	19,305,997
With donor restrictions	410,502	78,335
Total net assets	30,396,875	19,384,332
	<u>30,396,875</u>	<u>19,384,332</u>
Total liabilities and net assets	\$ 100,371,737	\$ 25,343,754
	<u>\$ 100,371,737</u>	<u>\$ 25,343,754</u>

See notes to financial statements.

World Food Program, USA

**Statement of Activities
Year Ended September 30, 2022
(With Comparative Totals for 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 123,409,040	\$ 695,528	\$ 124,104,568	\$ 59,416,833
In-kind contributions	442,758	-	442,758	1,011,273
Investment (loss) income, net	(1,587,212)	-	(1,587,212)	1,002,293
Net assets released from restrictions	363,361	(363,361)	-	-
Total support and revenue	122,627,947	332,167	122,960,114	61,430,399
Expenses:				
Program expenses:				
Grants to WFP and others	88,142,371	-	88,142,371	37,870,531
Other program expenses	16,394,641	-	16,394,641	10,865,109
Total program expenses	104,537,012	-	104,537,012	48,735,640
Fundraising	6,453,954	-	6,453,954	3,765,787
General and administrative	956,605	-	956,605	643,748
Total expenses	111,947,571	-	111,947,571	53,145,175
Change in net assets	10,680,376	332,167	11,012,543	8,285,224
Net assets:				
Beginning	19,305,997	78,335	19,384,332	11,099,108
Ending	\$ 29,986,373	\$ 410,502	\$ 30,396,875	\$ 19,384,332

See notes to financial statements.

World Food Program, USA

Statement of Functional Expenses Year Ended September 30, 2022 (With Comparative Totals for 2021)

	2022				2021
	Program Expenses	Fundraising	General and Administrative	Total	
Grants to WFP	\$ 88,073,371	\$ -	\$ -	\$ 88,073,371	\$ 37,733,031
Grants to others	69,000	-	-	69,000	137,500
Total grants	88,142,371	-	-	88,142,371	37,870,531
Professional fees	8,335,776	2,131,640	166,989	10,634,405	6,050,232
Compensation	4,094,410	2,847,704	341,400	7,283,514	5,361,019
Bank charges and filing fees	1,262,813	4,976	3,321	1,271,110	629,722
Website development and administration	747,609	278,997	109,865	1,136,471	797,775
Employee benefits	511,053	355,450	41,887	908,390	682,074
Payroll taxes	295,315	209,298	25,117	529,730	413,972
Occupancy	197,866	137,618	92,703	428,187	459,197
Conferences and meetings	376,912	24,423	14,371	415,706	145,178
Travel	177,735	133,256	36,182	347,173	63,016
Accounting and legal	126,978	88,315	59,491	274,784	146,031
Depreciation and amortization	117,736	88,959	29,075	235,770	255,439
Telephone	67,442	47,255	10,940	125,637	102,716
Office supplies and expenses	24,721	36,491	8,573	69,785	43,362
Dues and memberships	24,616	14,104	3,791	42,511	29,618
Business insurance	17,874	12,431	8,375	38,680	27,797
Staff development	6,681	19,207	859	26,747	30,248
Postage	2,786	10,526	1,264	14,576	12,199
Equipment rental and maintenance	5,290	3,564	2,402	11,256	20,163
Printing and publications	1,028	9,740	-	10,768	4,886
Total expenses	\$ 104,537,012	\$ 6,453,954	\$ 956,605	\$ 111,947,571	\$ 53,145,175

See notes to financial statements.

World Food Program, USA

Statement of Cash Flows
Year Ended September 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 11,012,543	\$ 8,285,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments, net	1,782,985	(636,611)
Depreciation and amortization	235,770	255,439
Deferred rent	(132,538)	(98,402)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(968,149)	579,993
Prepaid expenses and other assets	(370,728)	(157,446)
Advances to subrecipients	(47,230,314)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	263,649	354,650
Grants payable to WFP	16,133,141	(143,375)
Custodial funds	(136,018)	2,429
Refundable advances	47,887,206	17,782
Net cash provided by operating activities	28,477,547	8,459,683
Cash flows from investing activities:		
Purchase of property and equipment	(248,045)	(135,742)
Purchases and reinvestments of investments	(6,546,911)	(10,935,632)
Sales of investments	4,868,382	9,451,625
Net cash used in investing activities	(1,926,574)	(1,619,749)
Net increase in cash	26,550,973	6,839,934
Cash:		
Beginning	12,828,481	5,988,547
Ending	\$ 39,379,454	\$ 12,828,481

See notes to financial statements.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: World Food Program, USA (WFP USA) is a nonprofit organization that proudly supports the mission of the World Food Programme (WFP). WFP USA mobilizes individuals, policymakers and businesses in the United States (U.S.) to end global hunger. With supporters, WFP USA bolsters an enduring American legacy of feeding families in need around the world.

WFP USA educates members of Congress, the administration and other government officials about international hunger issues and specific policies that could improve U.S. government efforts to address global hunger. WFP USA also advocates for sufficient funding to ensure that programs are reaching as many people as possible who are in need around the world.

To build support for strong U.S. leadership in addressing global hunger, WFP USA collaborates with and mobilizes opinion leaders, businesses, grassroots networks, nonprofits, coalitions and others. In coordination with WFP, WFP USA cultivates U.S. corporate and individual donations of cash, products or expertise. In turn, corporations engage their employees, customers and other stakeholders. Donations from individuals, foundations and corporations have included: frontline support for global disasters, expertise to enhance WFP's operational capabilities and critical cash for development initiatives and capacity building, which is not covered by government contributions.

A summary of WFP USA's significant accounting policies follows:

Basis of accounting: The financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: WFP USA follows the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, WFP USA is required to report information regarding its financial position and activities within two classes of net assets, as follows:

Net assets without donor restrictions: Undesignated net assets represent funds that are available for the support of WFP USA's operations and not subject to donor restrictions. The Board may designate unrestricted net assets at its discretion. Board-designated net assets include funds designated by the Board for specific programs. The balance at September 30, 2022, was \$10,900,000, which is based on a 12-month core operating expense reserve.

Net assets with donor restrictions: 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction was restricted has been fulfilled, or both.

Custodial funds: WFP USA agreed in November 2003 to administer a fund established by a former director of the WFP to be used for girls' education and women's literacy. The balance of the account at September 30, 2022, was \$270,478, which is included in the investments described in Notes 5 and 11. Under the terms of the agreement, the funds must be segregated from other funds administered by WFP USA. This custodian fund is also shown as a liability.

Financial risk: WFP USA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. WFP USA has not experienced any losses in such accounts. WFP USA believes it is not exposed to any significant financial risk on cash.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

WFP USA invests in a professionally managed portfolio that contains U.S. government securities and corporate bonds, mutual funds, equities and an alternative investment. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions receivable: Unconditional contributions receivable are recognized as support in the year in which it is received from the donor. Conditional contributions are only recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable are carried at estimated fair value at the date of the contribution, less an estimate made for doubtful accounts based on a review of all outstanding receivables on an annual basis. Management determines the allowance for doubtful accounts by using the historical experience applied to an aging of receivables. Contributions receivable are written off when deemed uncollectible. Based on management's evaluation of the collection of promises, there was no provision for doubtful accounts at September 30, 2022.

Advances to subrecipients: Advances to subrecipients represent funds expended on donor agreements for conditional grant purposes that are not yet recognized as expenses. These amounts will be recognized when the conditions on which they depend are substantially met.

Investments: Investments in debt securities and equity securities with readily determinable fair values are reflected at fair value. To adjust the carrying values of these securities, the change in fair value is included within investment income or loss in the statement of activities. The alternative investment is reported at estimated fair values based on a practical expedient, the net asset value per share, provided by the investment manager. WFP USA believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to additional uncertainty and, therefore, values realized upon disposition may vary significantly from currently reported values.

Property and equipment: WFP USA capitalizes all property and equipment with a cost of \$1,000 or more. Property and equipment is stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 10 years, following the mid-month convention for WFP USA placing property and equipment into service. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets.

Grants payable: WFP USA recognizes unconditional grant expense and the related liability in the year the grant is awarded.

Deferred rent: Payments under lease agreements are expensed on a straight-line basis over the term of the related lease. The difference between the rent expense recognized and the cash payments made is recognized as a deferred rent liability on the accompanying statement of financial position.

Support and revenue: Unconditional contributions received are recorded as an increase in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor time and/or purpose restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are reported as net assets without donor restrictions if the restrictions are met in the same period received.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. Conditional contributions that are restricted by the donor are reported as net assets without donor restrictions if the restrictions have been satisfied by the time conditions have been met.

Refundable advances are only recognized as support and revenue when the conditions on which they depend are substantially met.

Donated services: WFP USA receives contributions of services (in-kind contributions) towards the fulfillment of program objectives and general operations. Those services that meet the accounting criteria for recognition have been included in revenue and expense categories at their fair value.

Volunteers contribute significant amounts of professional services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. WFP USA records in-kind contributions at the respective fair values of the services received (see Note 7).

Fair value techniques – Professional services are valued based on market rates for the service providers.

Donor restrictions and use – None of the contributed services are restricted in use. All of the contributed services are used for programmatic activities.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel related expenses are allocated on the basis of time incurred within each department. Other expenses are either directly charged to program services as incurred or proportionally allocated to functional categories based on expenses incurred within each department.

Income taxes: WFP USA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, WFP USA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no tax liability for unrelated business income for the year ended September 30, 2022. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

WFP USA would be liable for income taxes in the U.S. federal jurisdiction. The returns are subject to examination by federal and state taxing authorities generally three and four years, respectively, after they are filed.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncement: As of October 1, 2021, WFP USA adopted Accounting Standards Updated (ASU) ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU make improvement to the information provided in financial statements and accompanying notes for not-for-profit entities with contributed nonfinancial assets, or gifts-in-kind.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. WFP USA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: WFP USA has evaluated subsequent events through January 11, 2023, the date on which the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

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:

Cash	\$ 39,379,454
Contributions receivable, net	1,621,481
Investments, including custodial assets	10,873,281
Total financial assets available	<u>51,874,216</u>
Less those unavailable for general expenditure within one year due to:	
Contractual or other restrictions:	
Custodial assets held	(270,478)
Deferred compensation assets held	(78,669)
Amounts designated by the board	(10,900,000)
Donor-imposed time restrictions	<u>(410,502)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,214,567</u>

The board-designated reserve of \$10,900,000 is not subject to an annual spending rate. Although WFP USA does not intend to spend from this board-designated reserve (other than amounts appropriated for general expenditure as part of WFP USA's annual budget approval and appropriation), these amounts could be made available through board approval if necessary.

The majority of the donor-imposed restrictions relate to time-restricted administrative elements of grants and contributions recognized during the year, but for which collection had not occurred.

World Food Program, USA

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets (Continued)

As part of liquidity management, WFP USA invests cash in excess of daily requirements in short-term investments. WFP USA receives the majority of its cash contributions and special events revenue during November and December, which results in additional liquidity management challenges for the remainder of the fiscal year. WFP USA assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

Note 3. Contributions Receivable

Contributions receivable at September 30, 2022, consist of unconditional promises to give due in less than one year of \$1,621,481.

Note 4. Property and Equipment

Property and equipment consist of the following at September 30, 2022:

Leasehold improvements	\$ 468,122
Equipment	512,391
Furniture	36,316
Website development	570,097
Computer software	262,169
	<u>1,849,095</u>
Less accumulated depreciation and amortization	<u>(1,441,939)</u>
	<u>\$ 407,156</u>

Depreciation and amortization expense was \$235,770 for the year ended September 30, 2022.

Note 5. Investments

Investments at September 30, 2022, consist of the following:

Mutual funds	\$ 4,304,723
Bonds	2,978,593
Exchange-traded funds	419,717
Stocks	997,615
Money market deposit accounts	657,512
Investment held at net asset value (NAV)	1,515,121
	<u>\$ 10,873,281</u>

Investments above include \$270,478 of custodial funds at September 30, 2022, shown separately on the accompanying statement of financial position.

Investment loss for the year ended September 30, 2022, consists of the following:

Interest and dividends	\$ 252,297
Realized and unrealized loss on investments, net	(1,782,985)
Investment expenses	(56,524)
	<u>\$ (1,587,212)</u>

World Food Program, USA

Notes to Financial Statements

Note 5. Investments (Continued)

The following table sets forth additional disclosures of WFP USA's investment whose fair value is estimated using NAV per share (or its equivalent) at September 30, 2022:

Strategy Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-strategy equity (a)	\$ 1,515,121	\$ -	Monthly	90 days

(a) **Impact World Equity Fund:** This fund is an open-end fund incorporated in the U.S., seeking to provide a multi-strategy diversification to help smooth returns, reduce volatility, and decrease asset-class and single-strategy risks. The fund invests in a portfolio of equity investments including exchange-traded funds and investments in partnerships.

Note 6. Grants to World Food Programme

WFP is the largest international food aid organization in the world. Grants from WFP USA help WFP provide food to people suffering from hunger in the world's poorest countries, including thousands of children in school feeding programs, as well as those affected by famine, natural disaster and conflict. For the year ended September 30, 2022, WFP USA obligated \$88,073,372 to WFP. Of that obligated amount, \$20,565,840 will be paid in future years.

Note 7. Donated Professional Services

WFP USA received donated professional services as follows during the year ended September 30, 2022:

	Program Services	Fundraising	General and Administrative	Total
Professional services	\$ 442,758	\$ -	\$ -	\$ 442,758
	<u>\$ 442,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,758</u>

Note 8. Retirement Plans

WFP USA has a defined contribution 401(k) retirement plan (the Plan) for its employees. Participation by employees is voluntary. Contributions by WFP USA are made for participating employees up to a maximum of 5% of compensation. For the year ended September 30, 2022, WFP USA contributed \$320,711 to the Plan.

WFP USA also has a 457(b) deferred compensation plan (457(b) plan) for eligible participants. WFP USA's contributions to the 457(b) plan for the year ended September 30, 2022, were \$19,500. The cumulative deferred compensation liability and investments of the plan at September 30, 2022, were \$78,669 and are reported as investments and as accounts payable, accrued expenses and other in the accompanying statement of financial position.

World Food Program, USA

Notes to Financial Statements

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions include the time restricted administrative elements of grants and contributions recognized during the year, but for which collection had not occurred. Net assets with donor restrictions were released from restrictions during the year ended September 30, 2022, due to the administrative element being collected and the time restriction being met.

Changes in net assets with donor restrictions during the year ended September 30, 2022, were as follows:

	Balance September 30, 2021	Additions	Releases	Balance September 30, 2022
Time restricted:				
Administrative	\$ 78,335	\$ 695,528	\$ (363,361)	\$ 410,502
	<u>\$ 78,335</u>	<u>\$ 695,528</u>	<u>\$ (363,361)</u>	<u>\$ 410,502</u>

Note 10. Lease Commitments

WFP USA entered into a noncancellable long-term lease agreement for office space in Washington, D.C., which expires in April 2023. The annual base rent of \$438,498 in year one is escalated by 2.25% per year for the remainder of the lease term. Per the terms of the lease, the landlord will contribute up to \$515,880 to be used for remodeling the lease space, of which, \$171,960 can be used as rent abatement. WFP USA has used \$427,034 of this allowance as of September 30, 2022. The deferred rent liability on the accompanying statement of financial position represents the unamortized portion of the landlord allowance, as well as the cumulative difference between the monthly rent expense (recognized on a straight-line basis over the term of the lease) and rent paid.

In September 2022 WFP USA entered into a new noncancellable long-term lease agreement for office space in Washington, D.C., which commences in May 2023 and expires in April 2035. The annual base rent of \$763,428 in year one is escalated by 2.50% per year for the remainder of the lease term. Per the terms of the lease, the landlord will fully abate rent payments due for the first twenty-one months of the lease totaling \$1,350,312 and will partially abate rent payments due from months twenty-two through thirty-six totaling \$225,436. Additionally, the landlord will contribute up to \$1,858,780 towards improvements to the leased space. Collectively, the rental abatements and tenant improvement allowance are treated as lease incentives, which upon lease commencement will be amortized on a straight-line basis over the term of the lease.

The minimum future lease payments under the office leases are as follows:

Years ending September 30:	
2023	\$ 326,509
2024	-
2025	410,110
2026	704,712
2027	830,692
Thereafter	7,010,643
	<u>\$ 9,282,666</u>

Rent expense for the year ended September 30, 2022, was \$416,945.

World Food Program, USA

Notes to Financial Statements

Note 11. Fair Value Measurements

The Fair Value Measurement Topic of the Codification establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

The provision applies to all assets and liabilities that are being measured and reported on a fair value basis and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, WFP USA performs a detailed analysis of the assets and liabilities that are subject to the Codification. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. Fair value standards also allow for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determined fair value using the NAV per share or its equivalent. There were no Level 3 assets or liabilities at September 30, 2022.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	\$ 926,211	\$ 926,211	\$ -	\$ -
Stock funds	533,644	533,644	-	-
Money market	112,183	112,183	-	-
Short-term funds	2,732,685	2,732,685	-	-
	<u>4,304,723</u>	<u>4,304,723</u>	<u>-</u>	<u>-</u>
Bonds:				
Corporate bonds	2,674,836	-	2,674,836	-
Municipal bonds	303,757	-	303,757	-
	<u>2,978,593</u>	<u>-</u>	<u>2,978,593</u>	<u>-</u>
Exchange-traded funds:				
Equity	405,721	405,721	-	-
Other	13,996	13,996	-	-
	<u>419,717</u>	<u>419,717</u>	<u>-</u>	<u>-</u>
Stocks:				
Other	19,814	19,814	-	-
Common stock	977,801	977,801	-	-
	<u>997,615</u>	<u>997,615</u>	<u>-</u>	<u>-</u>
	8,700,648	5,722,055	2,978,593	-
Investment held at NAV (a)	1,515,121	-	-	-
	<u>\$ 10,215,769</u>	<u>\$ 5,722,055</u>	<u>\$ 2,978,593</u>	<u>\$ -</u>

World Food Program, USA

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

(a) In accordance with Accounting Standards Codification (ASC) Topic 820-10, the alternative investment is measured at fair value using the NAV per share (or its equivalent) as a practical expedient has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit the reconciliation of fair value hierarchy to the amounts presented in the statement of financial position.

The table below reconciles total investments to the statement of financial position at September 30, 2022:

Investments held at fair value	\$ 8,700,648
Investments held at cost	657,512
Investments held at NAV	<u>1,515,121</u>
	<u>\$ 10,873,281</u>

Cash held in the investment accounts totaling \$657,512 is not included in the fair value table because cash is recorded at cost. The fair value of mutual funds, exchange traded funds and stocks is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 1. The fair value of corporate and municipal bonds is determined based on inputs other than quoted prices. This includes the use of models or other valuation methodologies, which are corroborated by other market data, in order to determine their fair value. Thus, they are categorized as Level 2. WFP USA did not have any transfers between investment levels during the year ended September 30, 2022.

Note 12. Contingency

The continued global pandemic in 2022 has created substantial volatility in financial markets and the economy, including geographical areas in which WFP USA operates. While WFP USA has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to WFP USA. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 13. Conditional Contributions

At September 30, 2022, WFP USA has \$47,904,988 of conditional contributions awarded but not yet recognized as revenue. The amount is comprised of deferred grant and contract revenue on the balance sheet. Future recognized is contingent WFP USA carrying out certain activities and incurring allowable expenditures stipulated by the agreements.