

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

March 31, 2022 and 2021

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

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Independent Auditor's Report

To the Board of Directors
Nourishing Hope

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nourishing Hope (a nonprofit organization, formerly known as The Lakeview Pantry), which comprise the statements of financial position as of March 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Nourishing Hope as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Nourishing Hope 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 Nourishing Hope's ability to continue as a going concern for 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government 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 Nourishing Hope'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 Nourishing Hope'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2023 on our consideration of Nourishing Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nourishing Hope's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nourishing Hope's internal control over financial reporting and compliance.

CohnReznick LLP

Chicago, Illinois
January 16, 2023

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

Statements of Financial Position
March 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
Current assets		
Cash	\$ 4,339,948	\$ 1,519,526
Restricted cash	-	3,107,000
Inventory	349,641	558,883
Prepaid expenses	100,973	39,046
Promises to give - current	47,821	47,619
	4,838,383	5,272,074
Total current assets		
Other assets		
Fixed assets, net of accumulated depreciation	3,823,946	3,453,663
Promises to give - long-term	88,543	129,884
Deposits and other assets	78,600	23,009
	3,991,089	3,606,556
Total other assets		
Total assets	\$ 8,829,472	\$ 8,878,630
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 69,223	\$ 9,626
Accrued expenses	91,458	24,105
	160,681	33,731
Total current liabilities		
Total liabilities	160,681	33,731
Net assets		
Without donor restrictions		
Undesignated	8,668,791	5,737,899
Board-designated	-	3,107,000
	8,668,791	8,844,899
Total net assets		
Total liabilities and net assets	\$ 8,829,472	\$ 8,878,630

See Notes to Financial Statements.

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

Statements of Activities
Year Ended March 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue, support and contributions			
Contributions	\$ 3,478,988	\$ -	\$ 3,478,988
In-kind donations - food donations	7,936,529	-	7,936,529
Grants	1,854,642	-	1,854,642
Events, net of costs	514,720	-	514,720
Interest income	2,593	-	2,593
Miscellaneous income	2,798	-	2,798
	<u>13,790,270</u>	<u>-</u>	<u>13,790,270</u>
Functional expenses			
Program services			
Food program	12,124,132	-	12,124,132
Total program services	<u>12,124,132</u>	<u>-</u>	<u>12,124,132</u>
Supporting services			
Management and general	998,511	-	998,511
Fundraising	843,735	-	843,735
Total supporting services	<u>1,842,246</u>	<u>-</u>	<u>1,842,246</u>
Total expenses	<u>13,966,378</u>	<u>-</u>	<u>13,966,378</u>
Decrease in net assets	(176,108)	-	(176,108)
Net assets, beginning	<u>8,844,899</u>	<u>-</u>	<u>8,844,899</u>
Net assets, end	<u>\$ 8,668,791</u>	<u>\$ -</u>	<u>\$ 8,668,791</u>

See Notes to Financial Statements.

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

Statements of Activities
Year Ended March 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue, support and contributions			
Contributions	\$ 5,158,159	\$ 305,598	\$ 5,463,757
In-kind donations - food donations	9,936,476	-	9,936,476
In-kind donations - services	10,001	-	10,001
Grants	1,511,914	469,276	1,981,190
Events, net of costs	271,014	-	271,014
Interest income	3,237	-	3,237
PPP loan forgiveness	280,918	-	280,918
Miscellaneous income	2,839	-	2,839
Net assets released from restrictions	774,874	(774,874)	-
	<u>17,949,432</u>	<u>-</u>	<u>17,949,432</u>
Total revenue and support			
Functional expenses			
Program services			
Food program	13,408,166	-	13,408,166
	<u>13,408,166</u>	<u>-</u>	<u>13,408,166</u>
Total program services			
Supporting services			
Management and general	702,758	-	702,758
Fundraising	573,652	-	573,652
	<u>1,276,410</u>	<u>-</u>	<u>1,276,410</u>
Total supporting services			
Total expenses	<u>14,684,576</u>	<u>-</u>	<u>14,684,576</u>
Increase in net assets	3,264,856	-	3,264,856
Net assets, beginning	<u>5,580,043</u>	<u>-</u>	<u>5,580,043</u>
Net assets, end	<u>\$ 8,844,899</u>	<u>\$ -</u>	<u>\$ 8,844,899</u>

See Notes to Financial Statements.

Nourishing Hope
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Statement of Functional Expenses
Year Ended March 31, 2022

	Program services	Management and general	Fundraising	Total
Food costs	\$ 8,417,208	\$ -	\$ -	\$ 8,417,208
Salaries and benefits	2,429,191	570,771	515,312	3,515,274
Development	57,437	61,541	228,330	347,308
Administrative	223,536	55,596	47,420	326,552
Facilities expenses	583,901	32,439	32,439	648,779
Professional fees	85,806	257,419	-	343,225
Insurance	22,373	5,257	4,746	32,376
Depreciation	278,793	15,488	15,488	309,769
Covid-19 crisis response	25,887	-	-	25,887
	<u>\$ 12,124,132</u>	<u>\$ 998,511</u>	<u>\$ 843,735</u>	<u>\$ 13,966,378</u>

See Notes to Financial Statements.

Nourishing Hope
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Statement of Functional Expenses
Year Ended March 31, 2021

	Program services	Management and general	Fundraising	Total
Food costs	\$ 10,009,755	\$ -	\$ -	\$ 10,009,755
Salaries and benefits	1,726,535	369,574	317,025	2,413,134
Development	68,121	34,120	191,938	294,179
Administrative	129,290	33,260	24,585	187,135
Facilities expenses	390,224	21,679	21,679	433,582
Professional fees	75,063	225,187	-	300,250
Insurance	16,849	3,607	3,094	23,550
Depreciation	270,432	15,024	15,024	300,480
Interest expense	5,520	307	307	6,134
Covid-19 crisis response	716,377	-	-	716,377
Total functional expenses	\$ 13,408,166	\$ 702,758	\$ 573,652	\$ 14,684,576

See Notes to Financial Statements.

Nourishing Hope
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Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (176,108)	\$ 3,264,856
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation	309,769	300,480
Changes in assets and liabilities		
(Increase) decrease in assets		
Inventory	209,242	(233,733)
Prepaid expenses	(61,927)	(17,720)
Promises to give	41,139	(177,503)
Deposits and other assets	(55,591)	890
Increase (decrease) in liabilities		
Accounts payable	59,597	(36,141)
Accrued expenses	67,353	(1,146)
	393,474	3,099,983
Net cash provided by operating activities		
Cash flows from investing activities		
Payments for fixed assets	(680,052)	(96,616)
	(680,052)	(96,616)
Net cash used in investing activities		
Cash flows from financing activities		
Payments on loan	-	(112,588)
	-	(112,588)
Net cash used in financing activities		
Net (decrease) increase in cash and restricted cash	(286,578)	2,890,779
Cash and restricted cash, beginning	4,626,526	1,735,747
Cash and restricted cash, end	\$ 4,339,948	\$ 4,626,526
Supplemental cash flow information		
Cash paid for interest	\$ -	\$ 4,940

See Notes to Financial Statements.

Nourishing Hope
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Notes to Financial Statements
March 31, 2022 and 2021

Note 1 - Organization

The Lakeview Pantry, renamed Nourishing Hope in 2022 (the "Company"), was organized under the Illinois General Not-For-Profit Corporation Act and founded in 1970 by a small, dedicated group of Lakeview residents seeking to connect their low-income neighbors with the food they need. Today, the Company serves hundreds of thousands of people throughout Chicago per year with millions of meals, in addition to free mental and social services. The Company's mission is to eliminate hunger and poverty in Chicago by providing food to fill the basic needs of hungry people; empowering clients to gain independence through innovative social service programs; and raising awareness of hunger and poverty and working towards solutions to eliminate them. The primary source of the Company's revenues is contributions and sponsorships from the general public, corporations, and religious organizations. Inventory is primarily donated from the Greater Chicago Food Depository, large grocers, and various organizations.

Note 2 - Summary of significant account policies

Basis of presentation

The Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to give

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at their present value.

Inventory

Inventory consists of food and is stated at donated value. Any purchased inventory is stated at the lower of cost or market value.

Capitalization and depreciation

Building, vehicles, furniture and equipment and leasehold improvements are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives, except for leasehold improvements, which are depreciated over the lesser of their economic lives or the lease term. Any asset under construction is not depreciated until placed into service. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

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Notes to Financial Statements
March 31, 2022 and 2021

Estimated useful lives by classification:

	<u>Estimated life</u>	<u>Method</u>
Land	-	-
Building	40 years	Straight-line
Leasehold improvements	2 - 9 years	Straight-line
Furniture and equipment	5 - 7 years	Straight-line
Vehicles	5 years	Straight-line

Fixed asset classifications as of March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 337,221	\$ 337,221
Building	2,556,265	2,556,265
Leasehold improvements	988,985	988,985
Furniture and equipment	275,886	270,893
Vehicles	256,698	193,408
Construction in progress	611,769	-
Total	5,026,824	4,346,772
Accumulated depreciation	<u>(1,202,878)</u>	<u>(893,109)</u>
Net book value	<u><u>\$ 3,823,946</u></u>	<u><u>\$ 3,453,663</u></u>

Net assets

The Company classifies net assets as without donor restrictions and with donor restrictions.

Without donor restrictions net assets of the Company are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

With donor restrictions net assets of the Company are 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 resources be maintained in perpetuity.

Contributions

All contributions are considered to be available for the program or supporting services of the Company unless explicitly restricted by the donor. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose for the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Donations received and expended in the same year are classified as gifts without donor restrictions.

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Revenue recognition

The Company recognizes revenue under Topic 606 when (or as) the promised services are transferred to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. To determine revenue recognition whether contracts are within scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the performance obligation(s) are satisfied. At contract inception, the Company assesses the services promised within each contract, assesses whether each promised service is distinct and identifies those that are performance obligations. The Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Contributions and grants, as well as reasonably collectible unconditional promises to give, are recognized at fair value in the year received. In-kind donations are recorded as support at their estimated fair market value when received.

Functional allocation of expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Category	Method of allocation
Food program	100% related to Program
Salaries and benefits	Estimate of employee percentage of time spent related to each functional category
Development	Estimate of applicability to each area based on review of direct costs
Administrative	Estimate of applicability to each area based on review of direct costs
Facilities expenses	Based on estimated percentage of square footage allocated to office and pantry space
Professional fees	Specifically identified consulting costs allocated 100% to Management and General; other professional fees allocated evenly between Program and Management and General
Insurance	Allocated by the same percentages determined for salaries and benefits
Depreciation	Estimate of percentage of fixed assets applicable to each functional category
Interest expense	Percentage allocation based on terms of IFF loan
Covid-19 crisis response	100% related to Program

For the years ended March 31, 2022 and 2021, COVID-related expenses included any items related to supporting the Company's clients and adjusted programming through the COVID-19 pandemic. About 46% of this amount went towards additional food and food-related expenses to meet the need of additional client demand. Another 16% went towards paying temporary staff to fill additional distribution slots to help get food to clients.

Advertising costs

Advertising costs are charged to expense when incurred.

Operating leases

Operating lease expense are recorded at actual costs at the time the lease payments are due. Accounting principles generally accepted in the United States of America require that operating lease expense be amortized over the term of the lease using the straight-line method; however, the effect of recording lease expense at actual cost at the time the lease payments are due is not materially different from the results that would have been obtained under the straight-line method.

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Notes to Financial Statements
March 31, 2022 and 2021

Income tax status

The Company is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law and has been granted status as a publicly supported organization under Section 501(a)(1). The Company did not earn any unrelated business income during the fiscal year ended March 31, 2022. The Company's Form 990, Return of Organization Exempt from Income Tax, for the years ended 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. As part of the election to defer the standard, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the effect the updated standard will have on its financial statements.

Note 3 - Availability and liquidity

The following represents the Company's financial assets at March 31, 2022 and 2021:

	2022	2021
Financial assets at year-end		
Cash	\$ 4,339,948	\$ 1,519,526
Restricted cash	-	3,107,000
Promises to give - current	47,821	47,619
Total financial assets	4,387,769	4,674,145
Less amounts not available to be used within one year		
Board-designated net assets	-	(3,107,000)
Financial assets not available to be used within one year	-	(3,107,000)
Financial assets available to meet general expenditures within one year	\$ 4,387,769	\$ 1,567,145

Liquidity management

The Company maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Company continuously reviews current obligations to ensure the adequacy of financial assets available to liquidate in the event of an unforeseen circumstance. The board-designated net assets can also be made available by approval of the board, if needed for liquidity.

As more fully described in Note 11, the Company has an undrawn and committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

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Notes to Financial Statements
March 31, 2022 and 2021

Note 4 - Restricted cash

Restricted cash consists of the following as of March 31, 2022 and 2021:

	2022	2021
Cash held in checking account designated by the Board for specific purpose (Note 8)	\$ -	\$ 3,107,000

Note 5 - Capital campaign and promises to give

On November 5, 2020, the Company was promised a gift of \$250,000, which is to be used to support the mental health services team, to be paid in five installments of \$50,000. The first installment of the pledge was received during the year ended March 31, 2021, and the second installment was received during the year ended March 31, 2022. Funds from the promised gift will primarily support a mental health counselor. The promise to give is recorded at net present value using a discount rate of 5%.

The net present value of the total promises to give as of March 31, 2022 and 2021 was \$136,364 and \$177,503, respectively. The remaining installments is as follows:

Less than one year	\$	50,000
One to five years		100,000
More than five years		-
Subtotal		150,000
Less present value discount		(13,636)
Total contributions receivable	\$	136,364

Note 6 - Loan payable

The Company secured a loan from IFF in the amount of \$1,500,000 to cover any rehabilitation costs of the new facility not covered by contributions. The Company entered into a loan agreement with IFF, dated January 27, 2015, for a principal sum of \$1,500,000, of which \$854,146 was drawn. No future draws on the loan are available. The loan bore interest at 5.375% per annum. Principal and interest were payable in monthly installments of \$10,423, beginning on May 1, 2017, modified to monthly installments of principal and interest of \$3,440 beginning October 1, 2018, and continue through the first recalculation date, at which time the interest rate will be adjusted according to the note. The loan was set to mature on January 27, 2030, at which time all unpaid principal and interest was due. On March 25, 2021, the loan was paid in full.

Note 7 - Net assets with donor restrictions

During the years ended March 31, 2022 and 2021, the Company received contributions and grants of \$0 and \$774,874, respectively. These contributions and grants were restricted for specific purposes, for which the restriction was met in the period received.

As of March 31, 2022 and 2021, there were no net assets with donor restrictions.

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Notes to Financial Statements
March 31, 2022 and 2021

Note 8 - Board-designated net assets

Unrestricted net assets have been designated for a specific purpose, and certain assets have been set aside accordingly as follows at March 31, 2022 and 2021:

	2022	2021
Restricted cash - reserved for six months of operating expenses	\$ -	\$ 3,107,000

Note 9 - Lease commitments

On November 28, 2018, the Company entered into an operating lease agreement for additional warehouse space in the Ravenswood neighborhood in Chicago, Illinois. The lease term commenced on December 1, 2018 and concludes on November 30, 2024. The lease provides for monthly rent payments of \$10,323, increasing annually. As part of the lease agreement, the Company is entitled to an abatement of rent payments for the first five months of the lease.

On June 25, 2020, the Company entered an operating lease for temporary space at 2718 W Roscoe in Chicago, Illinois. The lease ended on September 30, 2021. Rent per month at the temporary space is \$3,000.

On September 17, 2021, the Company entered into an operating lease agreement at a headquarter facility in the West Town neighborhood in Chicago, Illinois. The lease term commenced on October 1, 2021 and concludes on December 31, 2026. The lease provides for monthly base rent payments of \$22,360, increasing annually. As part of the lease agreement, the Company is entitled to an abatement of rent payments for the first four months of the lease.

Future minimum lease payments for the ensuing fiscal years are as follows:

March 31, 2023	\$	406,456
2024		417,275
2025		380,576
2026		295,074
2027		226,367
Total	\$	1,725,748

Note 10 - Line of credit

On April 4, 2012, the Company opened a line of credit in the amount of \$100,000 with PNC Bank, NA. The line of credit bore interest at a variable rate equal to the prime rate plus 4.5%. The line of credit renewed annually in May. The Company closed the line of credit with PNC Bank, NA, and on May 21, 2020, the Company opened a line of credit with BMO Harris Bank N.A., in the amount of \$500,000, which bears interest at a variable rate equal to the prime rate plus .1%. The Company has not drawn on the line of credit and maintains it to provide cash flow flexibility, including for emergency cash flow purposes.

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Notes to Financial Statements
March 31, 2022 and 2021

Note 11 - In-kind donations

During the years ended March 31, 2022 and 2021, the Company received \$7,936,529 and \$9,936,476, respectively, in food donations. The food was recorded at fair value and recognized as a contribution when received.

Note 12 - Donated services

During the years ended March 31, 2022 and 2021, the Company received 80,438 and 94,997 hours, respectively, of volunteer service, which are not considered specializing or enhancing to a non-financial asset and are, therefore, not recorded in the financial statements.

Note 13 - Construction contract

During the year ended March 31, 2022, the Company entered into a construction contract with Oakwood Development Corporation to perform construction services on the new headquarters. The contract price is \$585,696. During the year ended March 31, 2022, the Company incurred and paid construction costs of \$268,383.

Note 14 - Concentration of revenue

During the year ended March 31, 2022, approximately 87% of all food donations were received from six entities: Greater Chicago Food Depository, Imperfect Foods, Target, Testa, Trader Joe's and Walmart.

During the year ended March 31, 2021, approximately 74% of all food donations were received from seven entities: Cloverleaf Farms, Greater Chicago Food Depository, USDA, Imperfect Foods, Target, Testa and Trader Joe's.

Note 15 - Concentration of credit risk

The Company maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank, with the funds held with Wintrust Bank insured up to \$3,750,000 as part of the MaxSafe program. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at March 31, 2022.

Note 16 - Paycheck Protection Program loan

On April 20, 2020, the Company received loan proceeds in the amount of \$280,918 under the Paycheck Protection Program ("PPP"), with an interest rate of 1%. Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. No interest payment is required on the loan for the ten months following the date of the loan; however, interest shall continue to accrue during those first ten months and shall be paid in equal monthly installments during the remaining twelve months of the loan. Payments for the principal and interest on the unpaid principal balance shall be made monthly on the eleventh month from the date of the loan through the twenty-fourth month from the date of the loan. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

Nourishing Hope
(An Illinois Not-For-Profit Corporation)

Notes to Financial Statements
March 31, 2022 and 2021

The Company initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was released. The Company recognized \$280,918 of loan forgiveness income for the year ending March 31, 2021. As of March 31, 2021, no principal and interest payments will be required to be made.

Note 17 - Subsequent events

Events that occur after the financial position date but before the financial statements have been issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial position date require disclosure in the accompanying notes. The Company evaluated subsequent events through January 16, 2023, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.